Review of 2013 Capital Budget Proposals of Key Ministries against Nigeria's Development Agenda

CSJ

Centre for Social Justice (CSJ)

(Mainstreaming Social Justice in Public Life)

First Published in November 2012

By

Centre for Social Justice (CSJ)
17 (Flat 2), Yaounde Street, Wuse Zone 6, P.O. Box 11418 Garki, Abuja
Tel: 08055070909, 08127235995

Website: www.csj-ng.org.

Email: censoj@gmail.com
ISBN:

Researched and Written by

Emeka Ngene (MSc)

&

Uzochukwu Amakom (PhD)

Table of Contents

LIST OF TABLES

LIST OF FIGURES

LIST OF ACRONYMS

GDP	Gross Domestic Product
ICT	Information Communication Technology
KPPPs	Key Policies, Programmes and Projects
MDAs	Ministries, Departments and Agencies
MTEF	Medium Term Expenditure Framework
MTSS	Medium Term Sector Strategy
NASS	National Assembly
NIP	First National Implementation Plan of Vision 20:2020
PPP	Public Private Partnership
SURE-P	Subsidy Reinvestment and Empowerment Programme
TA	Transformation Agenda

ACKNOWLEDGEMENT

Centre for Social Justice acknowledges the support of the Federal Public Administration Reform Programme (FEPAR) funded by the UK Department of International Development (DFID) for the research and publication of this Review.

EXECUTIVE SUMMARY

0.1 Background

A direct relationship exists between consistency and compliance of Government and its Ministries, Departments and Agencies (MDAs) with the Development Agenda a nation adopts, and the level of socio-economic development it attains. The most critical areas for consistency and compliance seem to be in resource allocation through budgets and implementation of the budget in line with plans in the Development Agenda. Given the fact that investments in capital projects is what translates to greater availability of infrastructure and promotes quicker socio-economic development, the quantum of resources dedicated to infrastructural development and actual expenditure of the dedicated resources to implement the projects is indicative of genuine commitment to development. The components of the Development Agenda in Nigeria are defined to include Vision 20:2020 and its First National Implementation Plan, the Transformation Agenda of the incumbent administration and the MTEF 2013-2015. More reference will be made to the Transformation Agenda considering that it was drawn from Vision 20:2020 and its First National Implementation Plan and it also anchors the current Medium Term Expenditure Framework 2013-2015.

The Review focuses on the 2013 capital budget proposals for key ministries of Works, Power, Transport, Water Resources, Agriculture, Niger Delta, Education and Health to establish their consistency with policy objectives and investment projections set out for them in the Development Agenda. Specifically, the Review identifies large-scale infrastructural projects planned in the Development Agenda for the eight identified sectors including those in the Subsidy Reinvestment and Empowerment Programme (SURE-P), their projected resource investment outlays, and the actual funding trends for 2011, 2012 and the 2013 proposals. Secondly, it analyzes the situation of the projects by identifying their years of commencement, initial construction time frame and costs, present levels of completion where data supports, issues of cost and time overruns and the reasons informing them, and the likely completion time.

The main questions for this Review include: Whether the 2013 capital budget proposals for infrastructure development in the 8 sectors are consistent with the Development Agenda. Are there funding gaps given the need for the projects and the proposed 2013 budget? Are there institutional, legal, social and cultural challenges associated with infrastructural project execution? Are some of the 2013 budget infrastructure investments bankable or amenable to public-private partnerships (PPP)? What are the recommendations for the legislature in the approval of the 2013 capital budget expenditure? This Review intends to contribute to the enactment of a 2013 federal budget that addresses the developmental needs of Nigeria.

The capital budget trends for some selected projects are shown to establish the relationship between the Development Agenda and budgets and recommendations for further allocations. In the course of analysing the emerging issues, the Review dwells on the core issues of consistency and implementation. To conduct situational analysis for the sectors, the budget implementation reports for 2011 and available budget implementation reports for 2012 are reflected upon to determine the stages of the projects.

0.2 Review Findings

The First National Implementation Plan, Transformation Agenda and MTEF are all subsets and derivatives of the NV20: 2020 and are significantly harmonious though few discrepancies exist between them in figures for similar macroeconomic indicators such as GDP growth. The NV20: 2020 and the TA provide for greater harmony between fiscal and monetary policies, fiscal prudence, inflation control, early budget passage, reduction of the incidence of abandoned capital projects and reduction of corruption as strategies for achieving goals. The MTEF 2013-2015, NV20: 2020 and the TA reveals their concord that over the period 2009-2020, recurrent expenditure as a percentage of the GDP decreases while the capital expenditure increases.

Under the TA, 1,746 projects were submitted by various MDAs with 685 projects representing 39.23% admitted for implementation during 2011-2015. This excludes the projects under governance, general administration, defence and security. The projects admitted include Works-Roads & Bridges (170); Power (6); Transport-Railways (8); Water Resources (20); Agriculture (116); Niger Delta (16); Education (24); and Health (35).

25 key projects, programmes and policies costing N841.50billion were approved for the Works (Roads and Bridges) sector under the Transformation Agenda with N170billion projected for capital expenditure in 2013. But in reality, the 2013 Works budget has a capital proposal of N151, 250,000,000. This shows a funding gap of N18,750,000,000 and suggests lack of consistency between Development Agenda projections and the 2013 proposals. Out of N180,000,000,000 earmarked for SURE-P projects in 2012, N85,500,000,000 representing 47.5% goes to Works.

Some of the road projects listed in the TA which were reviewed as samples include the rehabilitation of Lafia-Obi-Awe-Tunga Road in Nasarawa State and Abuja-Lokoja road construction. For the former, the Transformation Agenda costs it at N80billion but it was eventually awarded to Messrs Triacta Nigeria Limited at N7.9billion and as at September 2011, exactly half way into the time frame of the project, only N1.92billion has been committed to the project with only 36.58% completion. It is projected that 63.42% work left undone may not be completed in the remaining time frame except the challenges militating against implementation are addressed. Time and cost overruns are expected. The indicative issue here is certainly the poor funding for the project. But in all, this project falls short of the consistency and implementation test set out for this Review in that the TA cost differs from actual award cost and that implementation will not achieve 100% completion within the time frame.

For Abuja-Lokoja Road construction project, this Review chose Sections 1 and 3 - International Airport Link Road Junction-Sheda Village Junction and from Abaji to Kotonkarfi respectively for analysis. Section 1 commenced in July 2006 and was scheduled for completion in February 2009 with an initial budget of N11.22billion.

Due to inadequate budgetary provisions and releases over the years, the project was rescheduled to be completed in April 2014 with a revised budget of N28.66billion suggesting time and cost overruns of about 62months and N17.44billion respectively. To a larger extent, the project demonstrates consistency in that the TA and the budgets list it for implementation but inconsistent in that actual cost of project differs from original cost of the project. Section 3 of the road has also been unduly delayed and suffered cost and time overruns.

Key projects approved for the Power Sector under the TA are 6 amounting to N2,088billion out of which government is to contribute N250.56billion leaving the Private Sector to contribute the remaining 88% under PPP arrangements. Out of this, N85billion was earmarked for the power sector in 2013 but N70billion was actually proposed in 2013 suggesting a funding gap of N15billion and inconsistency between the TA and budgets based on it. Sample power projects such as Maiduguri 330/132KV Substation, Borno State show undulating budgetary trends with N665,190,000 in 2011, N21,530,000 in 2012 and N800,000,000 in 2013.

The SURE-P projects for 2012 do not include power projects but one of the TA Power projects - the 10MW Katsina Wind Farm- was commenced in June 2010 and expected to be completed in March 2012 (22 months) with both offshore and onshore funds of 18.5million Euros and N494.02 million respectively. It had an allocation of N1.14billion in 2011 budget out of which N427.76million was released and N235.55million utilised as at September 2011. Since inception, a total of 16.039million Euros and N255.83million had been committed to the project. As at 2011, only 69.24% level of completion has been attained and the reasons for the delay in completion is not unrelated to funds release and utilization. In another example, the cost for the repairs and rehabilitation of GT 20 Generators at Afam was put at N2.45billion with a completion time of 13 months. Though the sum of N378.87million was appropriated in 2011 budget for the rehabilitation, as at end of the third quarter of that year, funds had not been released for the project. However, the contractor went on to rehabilitate 2 out of the 6 gas turbines amounting to 33.3% level of completion. For a project that is supposed to be completed in one fiscal year, the delay was unexplained.

The TA projects for Railways are 13 at a total cost of N1, 613.70billion. The sum of N98.2billion was projected in the TA for investment into railways in 2013 but only N44, 353, 673, 724 was budgeted for transport sector projects in the 2013 budget showing a funding gap of about N53.9billion and therefore demonstrates huge inconsistency between TA projections and budgetary proposals. Two sample projects reveal the performance pattern of the sector.

The rehabilitation of the rail track from Lagos to Jebba commenced in October 2009 and was expected to end in October 2010 at a cost of N12.29billion. There was a time overrun but despite the new completion date of July 2011, as at September 2011, only 90% of the rehabilitation had been completed. N1.09billion was allocated to the project in 2011budget, N626.69million was released and only N195.47million was utilized as at the end of 3rd quarter of 2011. That it was listed in the 2013 budget suggests that it will not be completed in 2012. The impact of inadequate releases and poor utilization of released funds in this project, as in others, informs poor implementation leading to time and cost overruns which unduly inflates the cost of projects.

The track rehabilitation from Jebba- Kano commenced in December 2009 and was expected to end in February 2012. The initial cost was not mentioned in the quarterly reports that were available to this Review. N7.6 billion has been committed to the project since inception; it had N2billion allocation in 2011 budget with N1.6billion released as at end of the 3rd quarter of 2011, achieving only 67% level of completion. A time overrun is noticed in this project which was supposed to have ended in February 2012 but still receiving budgetary allocation in 2013.

The TA provisions for capital projects in 2013 for the water sector is N77.6billion but the 2013 budget proposals allocates N39.8billion being 51.2% of the projected cost for the sector projects. The funding gap of 48.8% is observed and shows inconsistency. An example of the sectoral performance in project execution is shown by the Biu Water Scheme. It has Lots 1&11 awarded in August 2001 at N3.06billion for Lot 1 and N1.24billion for Lot II and were expected to be completed by August 2003 but according to the 3rd quarter implementation report for the 2011 budget, the project suffered inadequate funding after it commenced in 2002 leading to time and cost overruns. For example, cost of Lot I was revised to N8.08billion while that of Lot II became N3.76billion and had suffered 120 months time overrun. A total of N205.1million was appropriated for the project lots in year 2011 bringing the total commitment since 2001 to September 2011 to N1.62billion. This project reflects poor implementation related to funding.

The TA hinges the desired economic transformation on agriculture and food security as economic growth drivers and consequently projected capital investment of N120.8billion for the agriculture sector in 2013. However, the total capital budget for agriculture in the 2013 proposal is N48.7billion showing a wide gap of N72.1billion and therefore high level inconsistency between the Development Agenda and budget. To illustrate the sector's project implementation performance, the fencing of the National Veterinary Research Institute Headquarters, Vom is used as example. The fencing project was listed in the 2011 and 2012 agriculture budgets for execution, from December 2011 to December 2013, with an initial cost of N150.45 million, out of which N57.84 million was appropriated in the 2011 budget. Out of this amount, only N10.7million was released and fully utilized to achieve 7.9% level of completion as at September 2011. But going by this speed of implementation, where for every 5 months, 7.9% is achieved, then in 30 months project time framework, only 47.4% would be achieved and this may lead to time and cost overruns with their attendant effects on the entire economy.

The amount projected in the TA for Niger Delta capital projects is N90billion for 2013 but it ended up getting N61billion in the 2013 budget proposal for capital projects showing a gap of N29billion and of course, plan-budget inconsistency. The Warri-Kaiama section of the East West road seems very important as it was listed in the TA, SURE-P, 2011 and 2012 budget. It was initially awarded in August 2006, re-awarded in June 2009 with the expectation that it would be completed in about 36 months at a cost of N112.16billion. The reasons for project completion level of only 50.99% as at September 2011 include unfavourable weather, inadequate budgetary provision by the Ministry of Niger Delta, and delayed payments. The immediate consequence of this situation is the time overrun of 18 months and given inflation, cost overrun is also imminent.

The TA projected N54billion capital investment for the health sector in 2013 but the budget allocates a sum of N55.7billion for the capital projects of the sector suggesting a budget overflow of N1.7billion against Development Plan's projections. Out of the 180billion for SURE-P projects in 2012, 15.94billion was allocated for maternal and child health. An example of the sector's project execution capacity is shown by projects at Federal Neuro Psychiatric Hospital, Maiduguri. The sum of N157.02million was appropriated for the hospital's projects in 2011 for the purchase of 2 numbers utility vehicle, furniture and equipment; construction of pavement and walkways; extension and furnishing of the General Out Patients Department; rehabilitation and renovation of the information and technology department; and digitalization of the radiology department. Of the sum, N92.7million (59.03%) was released while N89.81million was utilized as at the end of September 2011. The Projects Monitoring Team comprising of Budget Office staff, civil society organisations and the Media found that as at the time of their visit in September 2011, 100% of the projects have been completed. Even though the release was not full nor the utilization of the released fund complete, it achieved a desirable completion rate. This level of implementation is phenomenal and raises a lot of questions about project costing and using a little above 50% of the cost to fully implement the project. Was the project cost inflated initially? Did project materials become cheaper during implementation? Whatever the answers may be, this cost saving trend in project implementation is good.

0.3 Challenges Associated with Infrastructural Project Execution

From the review of the implementation of select projects within previous budgets and the consistency analysis between development planning and project budgets, this Review identifies some challenges which confront project execution in Nigeria.

- Disconnect between Available Resources and Number of Budgetary Projects
- Disconnect between Costing of Development Plans and 2013 Budget
- Weak link between Economic Indicators and Contract Variation Costs
- No Clear Rules Guiding Contract Execution
- Non Release of Budgeted Funds
- Poor Fund Utilization Capacity by MDAs and Contractors
- Poor Project Timing and Unfavourable Weather
- Challenges Identified in Budget Implementation Reports

0.4 2013 Budget for Infrastructure Investment and Public Private Partnership

During the TA period of 2012-2015, about 37 projects were classified as bankable, implying that the Private Sector could buy into them and government would collaborate with Private Sector under public-private partnership (PPP) arrangements. Of the 37 projects, 22 relate to the sectors under review. However, the details and mechanisms for the private sector contribution are not specifically provided in any document available to this Review. But the TA mentions pension funds, PPP, long term Commercial Bonds, Export Credit Finance, oil for infrastructure, private equity and infrastructure bonds as possible sources of funding. From available information, with the exception of requests for external borrowing, these private sector funding mechanisms are yet to be explored and this throws back the full funding for the projects to the public sector.

0.5 Recommendations

(1) Provide Synergy between Development Plans and Budget

(a) In approving capital projects, the legislature should ensure that such projects have been identified or are justifiable as priorities under the Development Agenda. Budget crafting in the executive and legislature must therefore be guided by relevant documentation including Vision 20:2020 and its First National Implementation Plan, the Transformation Agenda of the incumbent administration and the Medium Term Expenditure Framework.

(b) It is also imperative that steps are taken to harmonise the quantum of resources dedicated to recurrent and capital projects to the proportions provided in the Development Agenda, for instance by 2013, capital expenditure should have reached a minimum of 44% of total expenditure[1].

(2) Activate the Alternative Funding Sources of the Development Agenda

The Development Agenda identifies alternative funding sources to complement budgetary and public funding of capital projects. They have been identified to include pension funds, PPP, long term Commercial Bonds, Export Credit Finance, oil for infrastructure, private equity and infrastructure bonds. Even if they cannot be activated to fund projects awaiting legislative approval for the 2013 financial year, the legislature in collaboration with the executive, can take steps shortly after approving the budget to activate these alternative funding mechanisms.

(3) Match the Number of Projects with Available Resources

It has become imperative for the legislature to match the number of capital projects going into the budget with the available resources. This will reduce waste in the number of abandoned projects and facilitate quick delivery of capital budgets. In subsequent years, the legislature must seek to secure an early agreement with the executive, based on national priorities, on the number and exact projects to be approved in the annual budget.

(4) Ensure Proper Planning of Project Cost and Execution Time

It is imperative for the legislature to review the methods used by the executive for the calculation of project costs and allotment of time for project execution. Project costs should be realistic but not inflated. As at the time project timeframes are determined, planners should take cognizance of weather and other natural conditions. These will help reduce time overruns for projects.

[1] See Page 50 of the First National Implementation Plan of Vision 20:2020

(5) Regulate the Contract Variation Procedure

The legislature should review the methods employed in upward review of the cost of projects. A situation where some projects recorded 154% and 178% upward variations during periods of low inflation rate is unacceptable. The legislature should demand and review the bill of quantities and other relevant documentation that led to the upward review before appropriating money to satisfy the executive request.

(6) Provide Rules for Contract Execution

There are no standard codified rules and guidelines regulating the relationship between MDAs and contractors in contract execution. The legislature may consider the enactment of a *Contract Execution Act* which will detail the general rules and guidelines for contract execution and guides the relationship between MDAs and contractors and service providers. The Public Procurement Act appears to regulate proceedings up to the award of contract and thereafter, the parties are left to their respective agreements which most times is skewed against the government.

(7) Ensure Full and Timely Release of Appropriated Capital Funds

The legislature through the Appropriation Act and the power of oversight must ensure full and timely release of appropriated funds. Considering that in the last seven years, the nation has always realised more money than budgeted from oil and the difference is kept in the Excess Crude Account which the Fiscal Responsibility Act states should be used to augment low budgetary funds, there is absolutely no excuse for the non release of funds meant for capital projects. The legislature should, as a matter of necessity, consider sanctions against the appropriate government officials who disobey the direct mandate of the Appropriation Act.

(8) Enhance MDA Utilisation of Released Funds

The legislature should enhance oversight over expenditure of funds it appropriates. The legislature may consider sanctions against Accounting Officers of MDAs who have displayed tardiness in the utilisation of released funds.

(9) Increased Appropriation to the Eight Sectors

The legislature should consider increased appropriation to the eight sectors reviewed in this Report in accordance with the projections in the Development Agenda. The increases should be funded from savings in wasteful and frivolous expenditure in the overheads especially in meals and refreshments, welfare packages, travel and transport, etc.

(10) Add Unspent Capital Budget Sums to the Projects for which they were Initially Appropriated

Add unspent funds from the capital budget in the year 2012 as additional funds to complete in 2013, the projects for which the sums were initially appropriated. Essentially, funds carried over from the capital budget should still be spent on capital expenditure and on no account should it be diverted to recurrent expenditure.

1.1 INTRODUCTION

A direct relationship exists between consistency and compliance of Government and its Ministries, Departments and Agencies (MDAs) with the Development Agenda a nation adopts and the level of socio-economic development it attains. The most critical areas for consistency and compliance seem to be in resource allocation through budgets and implementation of the budget in line with plans in the Development Agenda. Given the fact that investment in capital projects is what translates to greater availability of infrastructure and promotes quick socio-economic development, the quantum of resources dedicated to infrastructural development and actual expenditure of the dedicated resources to implement the projects is indicative of genuine commitment to development.

For Nigeria, the focus on capital budgets and infrastructural development stems from the rather abysmal state of key infrastructure such as roads, hospitals, schools, portable water, electric power and transport facilities. An illustration of the dire situation is given by the claim that 33million children of school age in Nigeria as at 2012 are out of school for reasons including lack of educational facilities in their community[2]. A tour through the country's road network will reveal in practical terms the poor state of that key infrastructure. The same may be said of the nation's health care facilities in terms of number and the necessary equipment to guarantee adequate and affordable healthcare to all Nigerians. This is replicated in all the sectors that are critical for human capital development.

In line with the above background, this Review focuses on the 2013 capital budget proposals for key ministries of Works, Power, Transport, Water Resources, Agriculture, Niger Delta, Education and Health to establish their consistency with policy objectives and investment projections set out for them in the Development Agenda consisting of the National Vision 20:2020; First National Implementation Plan of Vision 20:2020 (2010-2013); the Transformation Agenda (2011-2015) of the present administration and the MTEF 2013-2015. Specifically, the Review identifies large-scale infrastructural projects planned in the Development Agenda for the eight identified sectors including those in the Subsidy Reinvestment and Empowerment Programme (SURE-P) for 2012, their projected resource investment outlay, and the actual funding trends for 2011, 2012 and the 2013 proposals. Secondly, it analyzes the situation of the projects by identifying their years of commencement, initial construction time frame and costs, present levels of completion where data supports, issues of cost and time overruns and the reasons informing them, and the likely completion time.

The main questions for this Review include: Whether the 2013 capital budget proposal for infrastructure development in the 8 sectors are consistent with the Development Agenda. Are there funding gaps given the need for the projects and the proposed 2013 budget? Are there institutional, legal, social and cultural challenges associated with

[2] http://www.unicef.org/nigeria/children.1937html.

infrastructural project execution? Are some of the 2013 budget infrastructure investments bankable or amenable to public-private partnerships (PPP)? What are the recommendations for the legislature in the approval of the 2013 capital budget expenditure? This Review intends to contribute to the enactment of a 2013 federal budget that addresses the developmental needs of Nigeria.

1.2 REVIEW METHODOLOGY

For the 8 sectors chosen for this Review, the Development Agenda projects are listed indicating specifically the component of the Agenda from where they are taken; the overall cost and annual disaggregation is shown. More reference will be made to the Transformation Agenda considering that it was drawn from Vision 20:2020 and its First National Implementation Plan and also anchors the current MTEF 2013-2015. It is a more compact set of programmes adopted by the incumbent administration. This provides a background benchmark against which the allocations to the sectors for the years 2011-2013 are reviewed. Findings will show whether government has been consistent in matching budgets with the Development Agenda. The capital budgetary trends for some selected projects are shown just to establish the relationship between the Development Agenda, budgets and recommendations for further allocations. In the course of analysing the emerging issues, the Review dwells on the core issue of consistency and implementation. To conduct situational analyses for the sectors, the budget implementation reports for 2011 and available capital project implementation reports for 2012 will be reflected upon to determine the stages of the projects.

1.3 LIMITATION FACED BY THE REVIEW

Two key limitations affected the analysis in this Review. The first is that the implementation report for SURE-P projects for 2012 is not yet available to determine the implementation status of the projects neither did the review access the 2013 SURE-P projects despite visits to the SURE-P office for the purpose. Such 2013 project list would have evaluated the 2013 SURE-P projects for consistency with TA.

1.4 HARMONY ANALYSIS BETWEEN NV20:2020, FIRST NATIONAL IMPLEMENTATION PLAN (NIP), TRANSFORMATION AGENDA AND MTEF 2013-2015

The vision statement of NV20 2020 states that '*by 2020, Nigeria will have a large, strong, diversified, sustainable, and competitive economy that effectively harnesses the talents and energies of its people and responsibly exploits its natural endowments to guarantee a high standard of living and quality of life to its citizens'*. The Vision recognizes four dimensions: social, economic, institutional, and environmental for clarity of focus in achieving the desired improvements across the country. On page 10 of the first National Implementation Plan, the four dimensions were also highlighted suggesting harmony between them. Both the Transformation Agenda (TA) (2011-2015) and the Medium Term Expenditure Framework (MTEF) 2013-2015 seem also to have originated from the earlier two.

The harmony between the components of the Development Agenda is exemplified by the following. The first relates to diversification of the economy where harmony exists between MTEF 2013-2015, NV20:2020 and the TA in terms of envisaging a robust Nigerian economy by 2015 driven largely by oil and gas but with increasing complementarity from solid minerals, agriculture, ICT equipment and soft-wares, telecommunications, wholesale and retail trade, tourism and entertainment, manufacturing, and building and construction sectors. The second is that of fiscal discipline measures which all the components being compared agree is imperative if the goal of economic transformation of Nigeria is to be achieved. The NV20: 2020 and the TA provide for greater harmony between fiscal and monetary policies, fiscal prudence, inflation control, early budget passage, fiscal federalism, reduction of the incidence of abandoned capital projects and finally the war against corruption as key strategies for achieving goals. In harmony, the MTEF 2013-2015 declares government commitment to plug revenue leakages, reduce oil theft, reduce overhead expenditures, rationalize government MDAs as recommended by Oronsaye Committee, make zero budgets for new capital projects and reduce corruption. The third example concerns recurrent and capital expenditure allocation patterns over the period 2013-2015 as provided for by the documents under comparison. The MTEF 2013-2015, NV20: 2020, NIP and the TA reveals that all of them are in concord that over the period 2009-2015, recurrent expenditure as a percentage of the GDP and overall expenditure decreases while the capital expenditure component increases. On its part, the first NIP projects the ratio of capital/recurrent budget as percentages of the total expenditure for 2011-2013 to be 48.5/51.5; 50.5/48.5; and 50.9/49.1 respectively[3]. The chart below depicts the pattern.

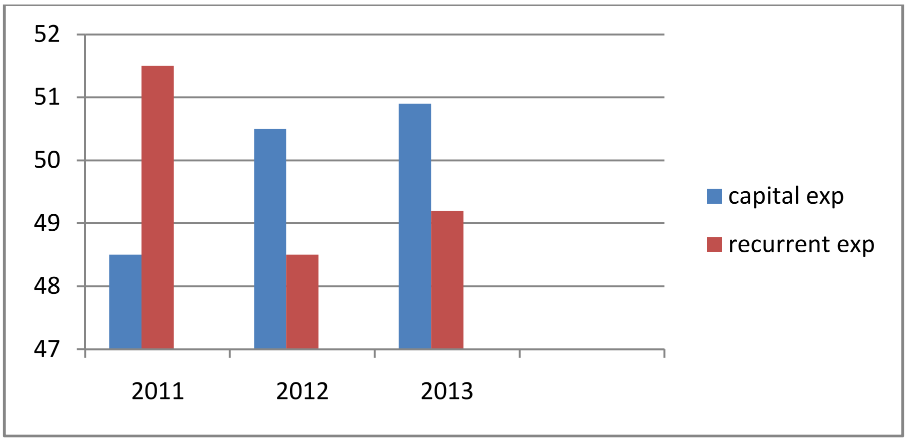


Chart 1: Showing the 1st NIP Projected Percentage Levels of Capital and Recurrent Budgets

The TA seeks to realign recurrent expenditure with non-oil revenue while devoting a substantial proportion of oil revenue to capital expenditure. In harmony, the MTEF 2013-2015 provides that recurrent expenditure decreases from 71.47% in 2012 to 68.7% in 2013 while the capital expenditure increases from 28.53% in 2012 to 31.3% in 2013. The 2013 budget has capital and recurrent components as 31.3% and 68.7% respectively

[3] NIP at page 50.

conforming perfectly to the MTEF but falls below the expectation of the first NIP. This calls for intervention(s) from the executive and legislative arms of government to ensure conformity of annual budgets to perspective plans.

What is evident therefore is that the NIP, Transformation Agenda and MTEF are all subsets and derivatives of the NV20: 2020 and are harmonious though there are few instances where there are discrepancies in figures for similar macroeconomic indicators such as GDP growth. That indicator is set by NV20:2020 to be a yearly target of 13.8%; TA sets it as 11.7% for the periods of 2011-2015; while the MTEF chooses to be silent on it. Other obvious discrepancies such as on crude oil prices exist because there is difference between long-term projections and realities. However, for the purposes of this Review, reasonable harmony exists between the different components of the Development Agenda.

2.0 SECTORAL KEY PROJECTS AND CAPITAL BUDGETS FOR 2011-2013

According to the TA, a total of 1,746 projects were submitted by various MDAs for implementation during 2011-2015 period excluding those under governance, general administration, defence and security. 685 projects representing 39.23% were admitted as key projects for MDAs based on criteria such as: (1) currently existing capital projects under the NIP of the NV20:2020; (2) with potential for significant economic impact; (3) are already on-going or under development; (4) essential to the attainment of sector goals (5) capable of achieving significant progress in 4 years; (6) capable of attracting private sector investment, donor funds or soft loans; (7) impact on employment and welfare; (8) clear justification for budget commitment; (9) alignment with stated policies; (10) likelihood of completion between 2012-2015; (11) clear implementation arrangements; (12) MDG funded projects; (13) projects with feasibility reports; (14) inter-linkages with other sectors; and (15) having measurable targets, indicators and outcomes[4].

A detailed analysis of these criteria will reveal that they are in tandem with the ideology in the first NIP, for instance, of focusing on on-going projects instead of embarking on new ones. But for the sectors under review, the number of projects admitted as key in the TA is Works-Roads & Bridges (170); Power (6); Transport-Railways (8); Water Resources (20); Agriculture (116); Niger Delta (16); Education (24); and Health (35)[5]. However, not all the projects were listed by names within the TA and the projects cited in this Review reflect that situation. Given the large volume of projects as shown above, reviewing all of them may be unwieldy. This Review selects some projects recorded in the TA, SURE-P and others across the budgets (2011-2013) which the Review judges to be of high socio-economic impact as samples for analysis.

[4] See section 5 of the TA.
[5] See page 134 of the TA.

2.1 WORKS

2.1.1 Works Projects in Transformation Agenda for 2012-2015

S/No	Project Title	Status	Total Cost (N b)
1	Construction And Dualisation Of Owerri - Elele Road (Merelu Section)	New	14.50
2	Construction Of 2nd Niger Bridge Across River Niger At Onitsha/Asaba	New	80.00
3	Dualisation Of Ibadan - Ilorin Section 1	New	17.60
4	Dualisation Of Obajana Junction - Benin	New	2.90
5	Dualisation Of Onitsha - Owerri And Onitsha Eastern Bypass C/No 5660	New	7.00
6	Kano -Kazaure-Daura-Mai Adua Road In Katsina State, C/No. 5997	New	87.00
7	Kano Western Bypass C/No 5960	New	10.00
8	Loko-Oweto Bridge	New	54.00
9	Panyam – Bokkos Wamba C/No5944	New	60.00
10	Abuja-Lokoja Road[6]	Ongoing	68.30
11	Borom-Nasarawa Abaji Road	Ongoing	0.80
12	Construction Of Kano Western By Pass	Ongoing	7.00
13	Construction Of Main Carriage Way Of FCT HW 106 From Kusaki Yanga(OSEX) to Kuje	Ongoing	6.00
14	Construction of Panyam – Bokkos Wamba Road	Ongoing	2.90
15	Dualization of Onitsha - Owerri Road and Onitsha Eastern By Pass	Ongoing	5.60
16	Jakuru Access Road	Ongoing	0.20
17	Kaduna - Kano (140km)	Ongoing	66.30
18	Kano-Maiduguri Road	Ongoing	139.90
19	Rehabilitation Of Maiduguri-Dikwa-Gamboru Road Section II: Dikwa-Gamboru in Borno State	On-going	47.50
20	Rehab of Okene -Ajaokuta Road	Ongoing	1.50
21	Rehabilitation of Apapa - Oshodi Express Way in Lagos	Ongoing	5.60
22	Rehabilitation of Enugu-Port Harcourt Road Section II (Umuahia-Aba-Port Harcourt)	Ongoing	24.00
23	Rehabilitation of Funtua - Yashi - Dayi - Kano State Border Road. C/No. 5264	Ongoing	11.20
24	Rehabilitation Of Lafia-Obi-Awe-Tunga Road In Nasarawa State[7]	Ongoing	80.00
25	Shagamu-Benin Expressway	Ongoing	41.70
TOTAL			**841.50**

Table 1: Showing Projects Listed for Works Sector in the TA

Table 1 above shows key projects approved for the Works (Roads and Bridges) sector under the TA. The total cost for the 25 projects amounts to N841.50billion, but given the

[6] Used as an example in situation analysis section
[7] Used as an example in situation analyses section

allocations to sectors and MDAs under Key Policies, Programmes and Projects published on page 135 of the TA, N695.5billion was projected as capital investment for the Works sector further broken down by years on page 139 to include 2012 (150billion), 2013 (170billion), 2014 (185billion), and 2015 (190,500billion).

2.1.2 Capital Budget to Selected Roads and Bridges for 2011-2013

S/No	Projects	2011	2012	2013
01	Abuja-Abaji Road (Section 1,International Airport Link Road Junction-Sheda Village Junction) C/No.5862[8]	1,875,000,000	2, 000, 000, 000	2,500,000,000
02	Abuja-Abaji Road(Section 11,Sheda Village Junction-Abaji) C/No.5863	2,250,000,000	2, 000, 000, 000	2,500,000,000
03	Abuja-Lokoja Road Section III (Abaji-Kotonkarfi) C/No.5884	1,125,000,000	2, 000, 000, 000	2,500,000,000
04	Abuja-Lokoja Road Section IV (Koton Karfi-Lokoja) C/No.5885	1,125,000,000	2, 000, 000, 000	2,500,000,000
05	Dualisation Of Ibadan-Ilorin Section II Contract No.1793a	6,239,770,083	2, 500, 000, 000	2,000,000,000
06	Dualisation Of Onitsha - Owerri Road And Onitsha Eastern Bypass C/No. 5660	1,550,000,000	1, 000, 000, 000	1,500,000,000
07	Construction Of Eleme Junction Flyover And Dualisation Of The Access Roads To Onne Port In River State. C/No. 5788	622,500,000	477, 375, 310	1,000,000,000
08	Rehabilitation Of Wukari-Mutum Biyu-Jalingo-Numan Road Section I: Wukari-Mutum Biyu Road In Taraba State, C/No. 5981	300,000,000	500, 000, 000	660,000,000

Table 2: Showing Samples of Capital Projects in the Works Sector and their Aallocations for 2011-2013

2.1.3 2012 SURE-P Project for Works

S/No	Projects	Allocation
01	Abuja-Lokoja[9]	25,000,000,000
02	Benin –Ore-Shagamu	22, 500,000,000
03	Kano-Maiduguri Dualisation (section i-v)	20,000,000,000
04	Portharcourt-Enugu- Onitsha	8,000,000,000
05	Second Niger Bridge (counterpart funding)	5,000,000,000
06	Oweto Bridge	5,000,000,000
	Total	**85,500,000,000**

Table 3: 2012 SURE –P Projects Related to Works

[8] Used as an example in situation analyses section
[9] Used as an example in situation analyses section

As can be seen from Table 3 above, out of N180,000,000,000 earmarked for SURE-P projects in 2012, N85,500,000,000 representing 47.5% goes to Works with Abuja-Lokoja Road receiving the largest chunk of 29.23%. It is noteworthy that for budgets 2011-2013, the same Abuja-Lokoja Road has budget allocations**.**

2.1.4 Situation Analysis

The situation of 2 key projects within this sector will be reviewed to identify and discuss the issues of policy consistency with project budgeting and implementation.

Name of Project	**Where Listed**	**Year of commencement**	**Initial time frame & Costs**	**Level of completion**	**Likely time for completion**
Rehabilitation Of Lafia-Obi-Awe-Tunga Road in Nasarawa State[10]	TA	September 2010	September 2012/ N7.9billion	36.58% as at September 2011	
Abuja-Abaji Road(Section 1,International Airport Link Road Junction-Sheda Village Junction) C/No.5862	TA; 2011-2013 budgets; SURE-P 2012	July 2006	July 2006-February 2009/ N11.22billion	56.61% as at March 2012	April 2014

Table 4: Sample Works Project for Situation Analysis

With regards to the rehabilitation of Lafia-Obi-Awe-Tunga Road in Nasarawa State, the TA costs it at N80billion but the contract was awarded to Messrs Triacta Nigeria Limited at N7.9billion and as at September 2011, exactly half way into the time frame of the project, only N1.92billion has been committed to the project. In 2012, it received N750,000,000 budget funding and the proposal for 2013 is N660,000,000. Although the Budget Implementation Report did not show whether or not the project has been completed in September 2012 as planned, but it is doubtful if that can happen. Given that it achieved only 36.58% in half of the time frame set for it, it would require that the outstanding 63.42% be completed in one year. To achieve this, the challenges that led to less than 50% completion in the first year may still prevail and except proactive steps are taken to surmount them; the project may have time and cost overruns. For example, not completing the project in September 2012 may lead to revising the cost of the project due to the effect of inflation. However, there is need to question why the TA would cost the project at N80billion and it is awarded at N72.1billion difference? Did the specifications change?

This may happen for two reasons. The first may be that planners of the TA did not get their costing parameters right or secondly, that actual implementation procurement process competitively led to higher cost efficiency. Whatever the case may be, it is commendable

[10] Implementation information on this project is at page 35 of 3rd Quarter Implementation Report of the 2011 Budget available from the Budget Office of the Federation

that funds are saved so long as it does not hamper the implementation of the project. For the N7.90billion that was the contract cost, only N1.92billion (24.30%) has been committed to the project as at 50% of the projected completion time frame. The indicative issue here is certainly the relatively small amount of funds appropriated for the project over the implementation period. But in all, this project falls short of the consistency and implementation test set out for this Review in that the TA cost differs from actual award cost and that implementation may not have achieved 100% completion within the projected time frame.

The Abuja-Lokoja Road construction project is one that has commanded the funding attention of the Federal Government for at least 7 years (2006-2013) and has been mentioned as budget items in the TA, 2011-2013 budgets, and in 2012 SURE-P projects. Computing the total allocation to the road project over the years may be clumsy for two reasons. One, the budgetary allocations cover years (2006-2013) outside the focal years for this Review which is 2011-2013; and two, the road is divided into four sections and the budgets are allocated by sections. However, this Review focuses on Abuja-Abaji Road (Section 1, International Airport Link Road Junction-Sheda Village Junction) C/NO.5862 and Section 3 from Abaji to Kotonkarfi. These sections will be used for analysis, making inferences and drawing examples and lessons which may be applicable to the entire road project.

Contract No.5862 being Section 1 commenced in July 2006 and was scheduled for completion in February 2009 with an initial budget of N11.22billion. Due to inadequate budgetary provisions and releases over the years, the project was rescheduled to be completed in April 2014 with a revised budget of N28.66billion suggesting time and cost overruns of about 62months and N17.44billion respectively. The impact of such overruns on the economy is enormous as the new costs would have been used for other developmental projects. Government's practice associated with project funding is demonstrated with recent funding issues on this project. It received an appropriation in 2011 of N1.8billion and as at the last quarter of the year, N1.7billion has been released and fully utilized which is commended but out of the reviewed project cost, only N6.5billion has been committed to the project since inception. Further, the contractor claims that N4.448billion was still outstanding for already certified work. To a large extent, the project demonstrates consistency in that the TA and the budgets list it for implementation but not consistent in that actual cost of project differs from original cost of the project. The time and cost overruns as well as level of completion of only 56.61% as at March 2012 suggest that implementation is less than complete and timely.

For Contract No. 5884 for Section 3 of the Abuja –Lokoja Road (Abaji-Kotonkarfi), the contract was awarded to Bulletine Construction Company Ltd in 2006. However, there was no budgetary provision in 2006 and 2008. The budgetary provisions over the years are N1.95billion, N2billion, N1.68billion and N1.75billion in 2007, 2009, 2010, 2011 and 2012 respectively. The initial contract sum was N9,697,186,699.20. This was later upwardly reviewed to N25,827,333,686.52. The commencement date was 12th October, 2006 with an original completion date of 11th April, 2009 (30 Months). Project completion was extended to 10th September, 2010 and later to 12th March, 2014. As at 16th November, 2012, the total money paid to the contractor based on certified certificates was N6,474,914,007.63. Of this amount, SURE – P provided N896,393,833.07. However, only 19.5% of the road has been completed with 40km and 38.95km site clearance and earth works respectively. This stage of project completion in 6 years is not encouraging.

It is imperative to note that project review resulted in increases in the contract sum in the two projects. Section 1 increased by 154% while Section 3 increased by 178%. Considering that there is no information on changed specifications for the road, the upward review should have been consistent with the rate of inflation. There is no basis for this undue hike in the contract cost.

The 2013 budget proposals for Works show a total of 165 projects being roads, bridges, etc spread across the geopolitical zones. This is tabulated in Table 5 below.

S/N	**SECTION**	**NUMBER OF KEY PROJECTS**
1.	Presidential Initiative Projects (PIPs)	9
2.	Dualization of Abuja-Lokoja-Benin Road Phase 2 Obajana Junction to Benin	4
3.	Major Dual Carriage-ways	16
4.	Access Roads to Nation’s Refineries, NNPC Depot and Ports	4
5.	Major Trunks Roads	39
6.	Rehabilitation of Roads under Nigeria Joints Commission for Cooperation	27
7.	Presidential Intervention Projects Emergency Repairs Reimbursement to States	6
8.	Highways Planning and Development Department	16
9.	Highways Roads Design Department	30
10.	Rehabilitation/Repairs of Office Building	14
	TOTAL	**165**

Table 5: Projects in the 2013 Budget for Works

The volume of resources required to complete these projects is enormous and the capacity to design, implement and supervise this number of projects at the same time is not available in the Ministry of Works. The resources of the sector are therefore so thinly spread and needs to be refocused on key projects and activities.

2.2 POWER

2.2.1 Power Projects within the TA

Table 6 below shows key projects approved for the power sector under the TA. The total cost for the 6 projects amounts to N2,088billion out of which government contributes N250.56billion leaving the private sector to contribute the remaining 88% under PPP arrangements.

S/No	Description of Project	Estimated Cost in TA (billion)
01	Mambilla (2,600 MW)	390
02	Zungeru (700 MW)	330
03	Gurara (350 MW)	52.50
04	Rehabilitation & Extension of Terminal Lines	315.00
05	Super Grid Project	1000.5
06	Small Hydro Power Plants	00.00
	Total	**2088.00**

Table 6: TA Projects for Power Sector

But given the allocations to sectors and MDAs under Key Policies, Programmes and Projects published on page 135 of the TA, N356.5billion was earmarked for the power sector which is further broken down by years on page 139 to include 2012 (N78billion), 2013 (N85billion), 2014 (N95billion), and 2015 (N98.5billion).

2.2.2 Capital Projects in Power Sector Budgets for 2011-2013

S/No	Capital Projects	2011 (N)	2012 (N)	2013 (N)
01	Small & Medium Hydro Power Plants (150MW) in ITISI (Small) Hydro Project Kauru LG Kaduna State (2B); Amoke, APA LGA of Benue State; Onipanu, Oyo State; Araromi, Kwara State	2,208,750,000	2,000,000,000	2,500,000,000
02	10 Mw Katsina Wind Farm[11]	1,140,000,000	500,000,000	250,000,000
03	Gt20 Generator Repair	378,879,000	450,000,000	Nil
04	Kano-Walalambe 132KV Line (Turn in and out of Dan Agundi-Dakata 132KV single Cct Line) and 2 x 30/40MVA S/S at Walalambe Kano	68,921,267	71,780,000	95,413,598.99
05	1x30 MVA 132/33 KV SS at Kwanar Dangora	665,000,000	67,690,000	111,803,552.13
05	Gombe-Yola-Jalingo 330Kv SC line	56,050,000	169,220,000	1, 201,052,851.20
06	2nd Benin-Onitsha 330KV SC Line Edo-Delta-Anambra States	760,000,000	169,220,000	800,000,000
07	Maidguri 330/132KV Substation Borno State	665,190,000	211,530,000	800,000,000
08	132/33KV Substation at Anyagba Kogi State	95,000,000	226,880,000	526,880,000

Table 7: Showing Some Capital Projects and their Allocations for 2011-2013

The SURE-P projects for 2012 do not include power projects.

2.2.3 Situation Analysis

The situation of 2 key projects within this sector will be reviewed to identify and discuss the issues of policy consistency with project budgeting and implementation.

[11] Used as an example in situation of analysis section

Name of Project	Where listed	Year of commencement	Initial time frame & Costs	Level of completion	Likely time for completion
10 Mw Katsina Wind Farm	2011 Budget	June 2010	June 2010-March 2012/ €18.5 million offshore plus N494.02million onshore	69.24% as at September 2011	
Gt20 Generator Repair	2011 Budget	May 2011	May 2011-May 2012/N2.45billion		

Table 8: Sample Power Project for Situation Analysis

Construction of the 10MW Katsina Wind Farm commenced in June 2010 and was expected to be completed in March 2012 (22months) with both offshore and onshore funds of 18.5million Euros and N494.02 million respectively. It had an allocation of N1.14billion in 2011 budget out of which N427.76million was released and N235.55million utilised as at September 2011. Since inception, a total of 16.039million Euros and N255.83million had been committed to the project. According to the 3rd Quarter Budget Implementation Report for 2011, only 69.24% level of completion has been attained as at that time. The initial project completion time will not be met due to the poor funding release and utilization.

The cost for the repairs and rehabilitation of GT 20 Generators at Afam was put at N2.45billion and was scheduled for 13 months. Though the sum of N378.87million was appropriated in 2011 budget for the rehabilitation, as at end of the third quarter, funds had not been released for the project. However, the contractor went on to rehabilitate 2 out of the 6 gas turbines amounting to 33.3% level of completion. For a project that is supposed to be completed in 13 months, it stands to reason that it should have got its funds appropriated in one year and releases made as at when due.

2.3 TRANSPORT

It is recognized that the Transport Sector consists of roads, water and rail transport but for this Review, emphasis will be placed on railways because the projects under it have more details which will provide useful information than the others.

2.3.1 Railway Projects in the Transformation Agenda

S/No	Project Title	Status	Total Cost (N b)
Existing Narrow Gauge			
1	Lagos - Kano Narrow Gauge Rehabilitation	Ongoing	12.20
2	PH - Maiduguri Narrow Gauge Rehabilitation	Ongoing	67.30
New Standard Gauge			
3	Construction of East - West Railway from Calabar -Eket-Warri- Gelegele - Lagos	New	5.00
4	Aba-Enugu-Asaba-Agbor-	New	225.00

	Ajaokuta (323km)		
5	Ajaokuta-Jakura-Baro-Abuja (360km)	New	48.00
6	Lagos - Ife-Ilesha-Owo-Benin-Onitsha-Enugu (650km) Standard Gauge	New	97.50
7	Lagos-Ibadan Standard Gauge Line	New	229.50
8	Construction Standard Gauge Abuja - Kaduna	Ongoing	243.00
9	Zaria-Kaura Namoda - Sokoto - Ilela (604km)	New	50.90
10	Abuja Rail Mass Transit LOT 1 And 3	Ongoing	85.70
11	Completion of the 22km Standard Gauge from Ovu to Warri	Ongoing	7.60
12	Construction of Abuja Light Railway Project LOT 2	New	66.30
13	Construction of 6 Stations between Itakpe and Warn	Ongoing	475.70
TOTAL			1,613.70

Table 9: TA Projects for Railways

2.3.2 Railway Projects within 2011-2013 Budgets

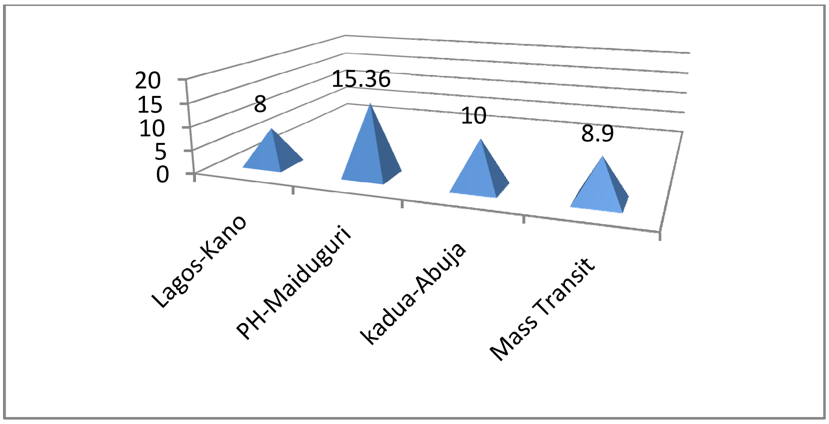
Projects	2011 (N)	2012 (N)	2013 (N)
Construction/Completion Of Abuja (Idu)-Kaduna Rail Line	Nil	3,871,000,000	3,567,399,330
Construction/Completion Of Lagos- Ibadan Rail Line	Nil	3,087,000,000	8,600,336,237
Track Rehablitation Jebba - Kano	2,000,708,026	1,800,000,000	700,000,000
Track Rehabilitation From Portharcourt - Makurdi	Nil	1,408,000,000	1,208,000,000
Feasibility Studies /Construction Of Rail Link To Tin Can Island Lagos	Nil	64,000,000	Nil
Completion And Rehabilitation Of Ajaokuta – Warri Rail Line	4,605,430,814	3,281,348,112	4,135,011,406
Track Rehabilitation Lagos - Jebba[12]	1,080,283,210	1,030,425,081	700,000,000

[12] Used as an example in situation analyses section.

Base Line Studies (Feasibility Studies Including Boq Preparation Of Tender Documents) On East – West Rail Line Within 25 Year Strategic Vision On Nig. Railways	14,416,870	200,000,000	195,000,000

Table 10: Some Railway Projects and their Budgetary Trends for 2011-2013

2.3.3 2012 SURE-P Projects for Railways



Cone 1: 2012 SURE-P Projects for Railways with Projected Investments in N billion

2.3.4 Situation Analysis

The situation of 2 key projects within this sector will be reviewed to identify and discuss the issues of policy consistency with project budgeting and implementation.

Name of Project	**Where listed**	**Year of commencement**	**Initial time frame & Costs**	**Level of completion**	**Likely time for completion**
Track Rehabilitation from Lagos - Jebba	Budget 2011-2013	October 2009	October 2009-October 2010/ N12.29billion	90% as at September 2011	July 2011
Track Rehabilitation from Jebba-Kano	Budget 2011-2013	December 2009	February 2010-February 2012/	67% as at September 2011	

Table 11: Sample Railways Project for Situation Analysis

The rehabilitation of the rail track from Lagos to Jebba commenced in October 2009 and was expected to end in October 2010 at a cost of N12.29billion. There was a time overrun but despite the new completion time of July 2011, as at September 2011, only 90% of the rehabilitation had been completed. N1.09billion was allocated to the project in 2011budget, N626.69million was released and only N195.47million was utilized as at the end of the 3rd Quarter of 2011. That it was listed in 2013 budget suggests that it will not be completed in 2012. The impact of inadequate releases and poor utilization in this project, as in others, informs poor implementation leading to time and likely cost overruns which unduly inflates the cost of projects.

The track rehabilitation from Jebba-Kano, commenced in December 2009 and expected to end in February 2012; the initial cost was not mentioned in the quarterly reports that were available to this Review. N7.6 billion has been committed to the project since inception and had N2billion allocation in 2011 budget with N1.6billion released as at end of the 3rd Quarter of 2011 achieving only 67% level of completion. A time overrun is noticed for this project which was supposed to have ended in February 2012 but still receiving budgetary allocation in 2013.

2.4 WATER RESOURCES

The TA on page 134 shows that out of 599 projects submitted by Water Resources MDAs, only 20 were admitted as key with a cost of 300.08billion representing 4.17% of N7.2trillion available for approved KPPPs of MDAs. Some of the projects and costs are listed on page 99 of the TA as follows.

2.4.1 Water Projects in the TA

S/No	Project	Status	Cost (N b)
1	Dsin Hausa Dam in Adamawa State (Multi-Purpose Dam	New	0.2
2	Ishiagu Water Supply Scheme	New	3.0
3	Yedsaram Dam in Adamawa (Earth Dam)	New	5.4
4	Zungeru/Wushishi Water Supply Project	New	3.6
5	Aba Water Supply Rehabilitation	Ongoing	2.4
6	ABU Zaria Water Supply Scheme	Ongoing	0.8
7	Biu Water Supply Scheme[13]	Ongoing	7.2
8	Completion of Okpilla Water Supply Scheme	Ongoing	0.8
9	Dadin Kowa Irrigation in Gombe State (rehabilitation of existing canal)	Ongoing	0.1
10	Greater Onitsha Water Supply Scheme	Ongoing	4.2
11	Port Harcourt Water Supply Project	Ongoing	6.4

Table 12: Showing Water Projects listed in TA and Costs

It provides further that the N300.08billion projected investments would be spread over the life of the TA: N70.32b (2012); N77.61b (2013); N75.76b (2014); N76.29b (2015).

[13] Used as an example in situation analysis section.

What this implies for example is that, about N77.61b is required for the 2013 Water Sector budget.

2.4.2 Water Projects within 2011-2013 Budgets

Projects	2011	2012	2013
Construction of Kashimbilla Dam, Taraba	500,421,021	1,800,000,000	1,612,320,186
Kano River Irrigation Project.	234,448,341	252,729,600	831,564,400
Mangu Regional Water Supply Scheme	123,445,257	180,000,000	152,000,000
Biu Water Supply Scheme	201.5million	20,000,000	200,000,000
Federal Rural Water Supply Programme Nationwide (2006 Appropriation Act)	180,787,630	80,000,000	92,000,000
National Water Sanitation Policy All States	205,540,284	200,000,000	70,000,000
Rehabilitation And Expansion Of Jibia Irrigation Scheme By 1000 Ha	136,024,514	10,637,667	150,000,000
Chouchi Irrigation Adamawa	141,324,170	21,818,400	21,818,400

Table 13: Water Projects and Budgetary Trend over 2011-2013

The SURE-P projects for 2012 do not include water projects.

2.4.3 Situation Analysis

The situation of a key project within this sector will be reviewed to identify and discuss the issues of policy consistency with project budgeting and implementation.

Name of Project	Where listed	Year of commencement	Initial time frame & Costs	Level of completion	Likely time for completion
Biu Water Supply Scheme	TA 2011 Budget	August 2001	August 2001-August 2003/N4.30billion	Lot 1 (21%) Lot 2 (65%) as at September 2011	

Table 14: Sample Water Resources Project for Situation Analysis

The Biu Water Scheme was divided into Lots 1 & 2. Both were awarded in August 2001 at N3.06billion for Lot 1 and N1.24billion for Lot 2 and were expected to be completed by August 2003. According to the 3rd Quarter Budget Implementation Report for 2011, the project suffered inadequate funding after it commenced in 2002 leading to time and cost overruns. For example, cost of Lot I was revised to N8.08billion while that of Lot 2 became N3.76billion. Thus, Lots 1 and 2 recorded 124% and 203% increases as a result of variation and upward review. In terms of time, 120 months overrun has been recorded. A total of N205.1million was appropriated for the project lots in 2011 bringing the total commitment since 2001 to N1.62billion. This project reflects poor implementation which is informed by very low appropriation and funding releases.

2.5 AGRICULTURE

2.5.1 Agricultural Projects within the TA

The TA provides in page 134 that 116 agricultural projects were admitted as Key Projects for the sector during the life of the TA. However, the projects were not listed but were estimated to cost N500.79billion representing 6.96% of the N7.2 trillion which the TA proposes would be invested in the economy to realise its targets. Further on page 139 of the TA, the figure of N500.79billion for the sector was split across the years 2012-2015 including N112.007billion; N120.841billion; N136.221billion; N131.724billion for the years 2012, 2013, 2014 and 2015 respectively.

2.5.2 Some Agricultural Projects in the 2011-2013 Budgets

S/No	Projects	2011 (N)	2012 (N)	2013 (N)
01	Construction / Provision Of Agricultural Facilities	10,361,138,916	5,914,140,790	10,735,929,818
02	Construction / Provision Of Roads	2,338,428,103	NIL	1,288,000,000
03	Construction / Provision Of Office Buildings	NIL	500,000,000	1,620,000,000
04	Construction / Provision Of Infrastructure		570,000,000	1,350,000,000
05	Fencing National Veterinary Research Institute Headquarters, Vom[14]	57,837,500	30,000,000	NIL
06	Research And Development	NIL	3,850,000,000	100,000,000
07	Monitoring And Evaluation	100,117,324	540,000,000	560,000,000
08	Payment Of Counterpart Fund On West African Agricultural Rice Production Programme	NIL	450,000,000	NIL

Table 15: Agriculture Projects and Budgetary Trends during 2011-2013

However, the way and manner the 2012 budget and the 2013 proposals listed the purchase of agricultural equipments and inputs by playing on words and repeating some items like seed, seeds and fertilisers over ten times within the same sub-heading does not make the budget amendable to monitoring for consistency and compliance. These items have budgets in excess of N26billion in each of the years. The Ministry deliberately sets out to confuse the public by making nebulous and

[14] Used as an example in situation analysis section.

unclear proposals which are surprisingly approved by the National Assembly. And the performance of this key expenditure component with a vote of N26.8billion in 2012 is missing in budget implementation reports.

The SURE-P projects for 2012 do not include agricultural projects.

2.5.3 Situation Analysis

Let us review a sample project for situation analysis.

Name of Project	**Where listed**	**Year of commencement**	**Initial time frame & Costs**	**Level of completion**	**Likely time for completion**
Fencing National Veterinary Research Institute Headquarters, Vom	Budget 2011 & 2012	2011	April 2011-December 2013/ N150.45million	7.9% as at September 2011	

Table 16: Sample Agriculture Project for Situation Analysis

The fencing project was listed in the 2011 and 2012 agriculture budgets for execution from December 2011 to December 2013 with an initial cost of N150.45 million out of which N57.84 million was appropriated in the 2011 budget. Out of this amount, only N10.7million was released and fully utilized to achieve 7.9% level of completion as at September 2011. But going by this speed of implementation, where for every 5 months, 7.9% is achieved, then in 30 months project time framework, only 47.4% would be achieved and this may then lead to time and cost overruns with their attendant effects on the entire economy.

2.6 NIGER DELTA

2. 6.1 Niger Delta Projects within the TA

TA lists in page 121 some key projects in the Niger Delta that would be implemented between the years 2012-2015. This is reproduced below:

S/No	**Project Title**	**Status**	**Total Cost (N b)**
1	Construction Of Bodo-Bonny Road With A Bridge Across The Opobo Channel. C/No. 5662	New	2.6
2	Construction of Modern Coastal Railway Line (from Benin – Calabar) 423km Cutting across Niger-Delta States-Studies	New	3.2
3	Construction of Modern Coastal Railway Line from Calabar across 6 Niger Delta States	New	690.00
4	Construction of River Ports in Degema	New	1.7
5	Construction of Skills Acquisition Centres in the nine states of the Niger Delta region	New	6.2
6	Equipping and operations of Skills Acquisition Centres	New	0.7
7	Land Reclamation, Shoreline	New	2.8

	Protection and Flood/Erosion Control for Seven States: Azumni - Abia States, IbakanNsit-Akwa Ibom State, Odi -Bayelsa state, Essien town - Cross River State, Ijaghalla - Delta State, OkhelenAwo -Edo State and AmadiAma - Rivers State		
	Dualization of East-West Coastal Road Project	On-going	45.3
	Feasibility Studies and Design on Land Reclamation, Shoreline Protection and Flood/Erosion Control for 10 sites in Niger Delta Region	On-going	0.1
	Construction of Niger Delta Coastal Road Connecting the Niger Delta through the coast linking Ibaka through Oron and IkotAbasi ail in (AkwaIbom) to Bonny in (Rivers), Brass (Bayelsa), Forcados and Escravos in (Delta), and Aiyetoro and Atijere in (Ondo State) along the coastline		1,800.0
	Total		2,050.5

Table 17: Niger Delta Projects in the TA

2.6.2 Niger Delta Capital Projects and 2011-2013 Budgets

S/No	Projects	2011(N)	2012 (N)	2013 (N)
01	Electrification Project In Khana LGA, Rivers State	N50,000,000	400, 000, 000	353,000,000
02	Electrification Of Permabiri-Ogbokiri	N50,000,000	400, 000, 000	351,000,000
03	Electrification Project In Eleme	N50,000,000	400, 000, 000	80,043,861
04	Erei Electrification	N50,000,000	200, 000, 000	132,000,000
05	Electrification – Bomadi Ogbobogbene	N50,000,000	NIL	NIL
06	Electrification Project In Bayelsa State	N50,000,000	NIL	NIL
07	Housing Schemes: Contract For The Construction And Supervision Of 2 & 3 Bedroom Bungalow And Infrastructural Facilities In the Nine Niger Delta States	NIL	4, 284, 030, 295	3,000,000,000
08	Owerri Urban Water Scheme	N50,000,000	500, 000, 000	11,600,000

Table 18: Niger Delta Projects and Budgetary Trends for 2011-2013

2.6.3 2012 SURE–P Projects for Niger Delta

S/No	Projects	Amount (N)
01	Dualization of East West Road {sections 1} {Warri-Kaiama}87Km	4,700,000,000
02	Dualization of East West Road {section 2} (2-1 & 2-2) (PH-KAJAMA) 101KM	5,000,000,000
03	Dualization of East West Road {Sections iii} {PH-EKET} 99km	8,000,000,000
04	Dualization of East West Road {Sections iv} {Eket-Oron} 51km	4,000,000,000

Table 19: Showing Niger Delta Projects in 2012 SURE-P

2.6.4 Situation Analysis

The situation of a key project within this sector will be reviewed to identify and discuss the issues of policy consistency with project budgeting and implementation.

Name of Project	**Where listed**	**Year of commenceme nt**	**Initial time frame & Costs**	**Level of completio n**	**Likely time for completion**
Dualization of East West Road {sections 1} {Warri-Kaiama}87Km	TA; SURE–P Projects 2012 and 2011 Budget	August 2006 and re-awarded in June 2009	June 2009-June 2012/ N112.16billion	50.99%	31 December 2013

Table 20: Sample Niger Delta Project for Situation Analysis

The Warri-Kaiama section of the East West Road seems very important as it was listed in the TA, SURE-P, 2011 and 2012 budgets. It was initially awarded in August 2006, re-awarded in June 2009 with the expectation that it would be completed in about 36 months at a cost of N112.16billion. The reasons for project completion level of only 50.99% as at September 2011 include unfavourable weather, inadequate budgetary provision by the Ministry of Niger Delta, and delayed payments. The immediate consequence of this situation is the time overrun of 18 months and given inflation, cost overrun is also inevitable.

2.7 EDUCATION

2.7.1 Education Projects within the TA

There are 24 education projects described as key to the targets of the TA but they were not listed in detail except that N344.35billion out of the proposed N7.2 trillion would be invested in the sector and will be spread over the 4 years of the TA. The annual disaggregation shows that, N9.85 billion is for 2012; N100 billion for 2013; N106.5 billion for 2014; and N128 billion for 2015.

2.7.2 2012 SURE–P Projects for Education

Out of the N180billion for SURE-P projects in 2012, N8.6billion was allocated for vocational training centres.

2.7.2 Education Capital Projects and 2011-2013 Budgets

S/No	Projects	Department/ Agency	2011	2012	2013
01	23 Capital Projects and programmes including construction of a physical and health education gymnasium; science laboratory workshop; phase 1 of students hostel; provision of ICT teaching equipment and facilities, extension of college library	Federal College of Education Zaria	645,000,000	84,774,431	244,285,714[15]
02	Purchase Of Office Furniture And Fittings	Federal Ministry Of Education – Hqtrs	10,383,417	NIL	3,000,000
03	Construction/ Provision Of Office Buildings	National Examination Council	12,165,139	14 000 000	40,000,000
04	Construction/ Provision Of Infrastructure	Nomadic Education Commission	5,782,464	59 342 795	NIL
05	Construction/ Provision Of Office Buildings	National Education Research & Development Council	50,628,047	194 324 000	130,676,000
06	Construction/ Provision Of Libraries	National Business And Technical Education Board	24,163,842	67 369 952	15,000,000
07	Purchase Of Motor Vehicles	Teachers Registration Council Of Nigeria	11,582,570	11 200 000	7,186,350
08	Construction/ Provision Of Public Schools	Computer Registration Council Of Nigeria	21,981,642	25 000 000	NIL

Table 21: Education Capital Projects and Budgetary Trends for 2011-2013

2.7.4 Situation Analysis

The situation of a key project within this sector will be reviewed to identify and discuss the issues of policy consistency with project budgeting and implementation.

Name of Project	Where listed	Year of commencement	Initial time frame & Costs	Level of completion	Likely time for completion
23 Capital Projects and programmes.	2011-2013 budgets	2011	645million	NA	NA

Table 22: Sample Education Project for Situation Analysis

[15] Total capital projects for Federal College of Education, Zaria for 2013 of which the 23 projects may be part of.

The 23 projects and programmes were listed to include construction of a physical and health education gymnasium; science laboratory workshop; phase 1 of students' hostel; provision of ICT teaching equipment and facilities, extension of college library, etc. While their exact time frame for completion or likely completion time in the event of an overrun was not stated in budget implementation reports that discussed them, they received an allocation of N645million in 2011. The project was listed in 2011, 2012 and 2013 budgets suggesting that the cost has been split over the 3 fiscal years. In 2011, N398.67million (61.81% of the cost) was released while N320.63million had been utilized for project implementation resulting to approximately 50% level of completion as at end of September 2011. The 2013 capital budget for the FCoE Zaria unfortunately did not show the specific allocation to the 23 projects but if the performance of 2011 can guide this review, then it may be concluded that implementation of this project has been impressive.

2.8 HEALTH

2.8.1 Health Projects within the TA

Though the specific projects for the health sector under the TA were not mentioned, they were listed to be 35 with a cost profile of N229.31billion representing 3.18% of the public investment target of the N7.2trillion meant for the TA over 2012-2015. The annual projections for sectoral investment are N45.31billion for 2012; N54billion for 2013; N60billion for 2014 and N70billion for 2015.

2.8.2 Health Capital Projects and 2011-2013 Budgets

S/No	Projects	Department/Agency	2011	2012	2013
01	Federal Neuro Psychiatric Hospital, Maiduguri: Purchase of 2Nos Utility vehicles, furniture and equipment[16]; etc	Federal Psychiatric Hospital Maiduguri	157.02million	Nil	22,500,000
02	Purchase Of Health/ Medical Equipment	National Primary Health Care Development Agency	13,222,000,000	14, 020, 000, 000	11,790,090,000
03	Purchase Of Office Buildings	National Arbovirus And Vector Research	NIL	11, 558, 699	25,474,003
04	Construction/Provision of Office Buildings	Nursing & Midwifery Council	39,421,390	56, 168, 174	47,950,505
05	Construction/Provision of Office Buildings	Medical And Dental Council Of Nigeria	22,174,532	25, 333, 027	24,094,420
06	Construction/Provision of Hospitals/Health Centres	Federal School Of Dental Technology	44,927,674	5, 000, 000	5,000,000

[16] Used as an example in situation analysis section.

		&Therapy, Enugu			
07	Construction/Provision of Electricity	University College Hospital Ibadan	41,946,070	50, 666, 107	54,580,471
08	Purchase of Health/ Medical Equipment	Ahmadu Bello University Teaching Hospital	91,256,609	305, 920, 959	625,000,000

Table 23: Some Health Projects in 2011-2013 Budgets

2.8.3 2012 SURE–P Projects for Health

Out of the 180billion for SURE-P projects in 2012, 15.94billion was allocated for maternal and child health.

2.8.4 Situation Analysis

The situation of a key project within this sector will be reviewed to identify and discuss the issues of policy consistency with project budgeting and implementation.

Name of Project	Where Listed	Year of commencement	Initial time frame & Costs	Level of completion	Likely time for completion
Federal Neuro Psychiatric Hospital, Maiduguri	Budget 2011 and Budget 2013	2011	1 year/ 157.02 million	100% as at end of 2011	Already completed

Table 24: Sample Health Project for Situation Analysis

The sum of N157.02million was appropriated for the hospital's projects in 2011 for purchase of 2 numbers utility vehicles, furniture and equipment; construction of pavement and walkways; extension and furnishing of the General Out Patients Department; rehabilitation and renovation of the information and technology department; and digitalization of the radiology department. Of the sum, N92.7million (59.03%) was released while N89.81million was utilized as at the end of September 2011. The Projects Monitoring Team comprising of Budget Office Staff, Civil Society Organisations and the Media found that as at the time of their visit in September 2011, 100% of the project has been completed. Even though the release was not full nor the utilization of the released fund complete, it achieved a desirable completion rate. This level of implementation is phenomenal and raises a lot of questions about project costing and using a little above 50% of the cost to fully implement the project. Was the project cost inflated initially? Did project materials become cheaper during implementation? Whatever the answers may be, this trend in project implementation is good.

3.0 CONSONANCE ANALYSIS OF 2013 SECTORAL BUDGETS WITH DEVELOPMENT PLANS

The TA makes specific budgetary projections for the various sectors for the years 2012-2015. The actual proposal for 2013 and the projections in the TA for 2013 will be compared to determine the consistency of the Development Agenda with actual budget projections.

3.1 Works

The TA provides for N170bn as 2013 budgetary investment for capital projects for Works (roads and bridges) but in reality, the 2013 Works budget has a capital budget of N151, 250,000,000. This shows a funding gap of N18, 750,000,000 and suggests lack of consistency between the Development Agenda and the budget.

3.2 Power

According to the TA, N85billion is to be allocated for capital projects within the Power sector in 2013 but N70billion was actually budgeted for it suggesting again a funding gap of N15billion and inconsistency between the TA and budgets based on it.

3.3 Transport

The sum of N98.2billion was projected in the TA for investment in railways in 2013 but only N44, 353, 673, 724 was budgeted for transport sector projects in the 2013 budget. The funding gap is clear - an amount of N53.9billion and therefore, demonstrates huge inconsistency between provisions of the Development Agenda and the 2013 budget proposal.

3.4 Water Resources

The TA provisions for capital projects in 2013 for the water sector is N77.6billion but the budget 2013 actually allocates N39.8billion being 51.2% of the projected cost for the sector projects. The funding gap of 48.8% is observed.

3.5 Agriculture

The TA hinges the desired economic transformation on agriculture and food security as economic drivers and consequently projected capital investment of N120.8billion for the agriculture sector in 2013. However, the total capital budget for agriculture in the budget is N48.7billion showing a wide gap of N72.1billion and therefore, high level inconsistency between the Development Agenda and the budget.

3.6 Niger Delta

The amount projected in the TA for Niger Delta capital projects is N90billion for 2013 but it ended up getting N61billion in the 2013 budget for capital projects showing a gap of N29billion and of course plan-budget inconsistency.

3.7 Education

The sector was projected by the TA to have a capital investment of N100billion in 2013 but the budget actually allocated N60.14billion for the sector's budget. A shortfall of about N39.86billion and some inconsistency between the Development Agenda and actual budget is observed.

3.8 Health

The TA projected N54billion capital investment for the health sector in 2013 but the budget allocates a sum of N55.7billion for the capital projects of the sector. For once, there is a budget overflow of N1.7billion for capital projects against Development Agenda's projections.

4.0 CHALLENGES ASSOCIATED WITH INFRASTRUCTURAL PROJECT EXECUTION

From the review of the implementation of selected projects within the previous budgets and the consistency analysis between development planning and project budgets, this Review identifies some challenges which confront project execution in Nigeria.

4.1 Disconnect between Available Resources and Number of Budgetary Projects

The available budgetary resources cannot adequately pay for the number of projects in the budget. There are so many projects in the budget leading to resources being so thinly spread. This eventually leads to time and cost overruns. Most of the projects that were reviewed suggest that the greatest challenge being faced by MDAs is inadequate funding and delayed or partial release of project funds. Contractors in turn abandon projects or work at a slow pace when funds are not available.

The implication of this challenge is that when projects in the budget outpace the available resources, the legislature donates the constitutional power of appropriation to the executive to pick and choose the projects that can reasonably be funded.

4.2 Disconnect between Costing of Development Plan and 2013 Budget

In Section 3 above, it was established that 87.5% of the sectors under review in the 2013 budget proposal are not in agreement with projected investments under the Transformation Agenda. The budgets were well below the projected amounts and even in the Health Sector where there is no shortfall; the budget exceeds the TA projection showing that the linkages between the plans and the budget is weak. However, many factors may have created the situation. The first is that those who crafted the budget may not have reverted to the TA in the course of their work. The second may be that, as at the time of drafting the TA (2011), planners may have envisaged higher revenue earnings for the period 2012-2015 different from the more realistic oil revenue benchmark and expected revenue for 2013 as stated in the MTEF 2013-2015. If this is the case, it is understandable given that the international oil market is fraught with price volatilities.

4.3 Weak link between Economic Indicators and Contract Variation Costs

Cost variations appear outrageous and had no link with the inflation rate or other economic indicators. Some projects recorded 154% and 178% increases within a period that the inflation rate did not exceed 30%. The role of the legislature in approving these cost variations, especially to determine their propriety is not clear.

4.4 No Clear Rules Guiding Contract Execution

Unlike the procurement process which concerns itself with the award of contracts and has been codified in the Public Procurement Act of 2007, there appears to be no standard codified set of rules and guidelines guiding contract execution and the relationship between MDAs and contractors, as the rules seem to be in the contract agreements for the respective projects. Although, there are standard contracts and guides developed by the Bureau of Public Procurement, this has not always been followed by MDAs. This has negatively affected contract implementation.

4.5 Non Release of Budgeted Funds

Over the years, the fiscal authorities fail to release all appropriated capital budget funds and this affects the level of capital budget implementation. Even if the funds are captured as opening balances in subsequent years, they are not tied to the continued implementation of the earlier budgeted capital projects.

4.6 Poor Fund Utilization Capacity by MDAs and Contractors

As observed in the situational analysis of the projects, even when funds are released, their utilization does not always match the releases. For example, N427.76million was released for the Katsina 10MW Wind Farm but only N235.55million (55.06%) was utilized by the MDA/contractors. There are reported cases of delays in payments to contractors by MDAs even when releases have been made by the Office of the Accountant General of the Federation[17].

4.7 Poor Project Timing and Unfavourable Weather

One of the projects reviewed – the Warri-Kaiama section of East-West Road was reported as not completed within the planned time frame because of a number of factors including unfavourable weather especially during the rains. The challenge is avoidable and could have been managed if the implementation time scheduling had considered the weather in planning and implementing the project.

4.8 Challenges Identified in Budget Implementation Reports

A number of challenges militating against capital budget implementation have been identified in various budget implementation reports. They include overloading of specific contractors with more contracts than they can handle; disruption of work by local communities for reasons related to compensation; contract awards were delayed for no apparent reason by MDAs; some contracts were awarded based on preliminary design rather than the final design resulting in cost variations[18].

5.0 2013 BUDGET FOR INFRASTRUCTURE INVESTMENT AND PUBLIC PRIVATE PARTNERSHIP

During the TA period of 2012-2015, about 37 projects were classified as bankable, implying that the private sector could buy into them and government would collaborate

[17] See 2009 Full Year Budget Implementation Report at page 79 and 2010 Full Year Budget Implementation Report.
[18] Ibid, 2009 Full Year Budget Implementation Report, pages 79-80.

with the private sector under public-private partnership (PPP) arrangements. Of the 37 projects, 22 relate to the sectors under review. However, the Review chose 3 of them to illustrate the PPP relations with the projects. Table 26 below lists the 3 projects by sector as well as the estimated cost and expected government contribution.

S/No	Sector	Name of the Project	Estimated cost (N billion)	Cost share for 2013 (N billion)	Government expected contribution (12%) (N billion) in 2013	Proposed allocation in 2013 budget (N)	Private Sector contribution (88%) (N billion) in 2013
01	Power	Mambilla (2,600 MW)	390	97.5	11.7	200 million	85.8
02	Works	Kano-Maiduguri Road	140	35	4.2	12.5 billion	30.8
03	Transport	Abuja-Kaduna Standard Guage Line	243	60.75	7.29	3.5billion	53.46

Table 25: Sample Projects and PPP Funding Arrangements

Table 25 shows that the Mambilla power project was costed at N390billion over the 4 years of the TA and going by the TA's equal sharing of the cost over the years, the total investment in the project for 2013 should be N97.5billion which if further shared according to the public: private contribution formula (12% and 88% respectively) means that the budget for the project in 2013 ought to be N11.7billion and the private sector contributing to N85.8billion.. This Review notes that in the Mambilla project, even if the private sector provides its counterpart funding, there will still exist a funding gap to the tune of the difference between N11.7billion and N200million. Similarly, a funding gap is noticed for the Abuja-Kaduna railway line to the tune of N3.79billion for government counterpart contribution. But in sharp contrast to the trend, the Kano-Maiduguri Rod construction project got N8.3billion in excess of what public investment to it ought to be for 2013. These irregularities confirm the earlier scepticism of this Review that budget makers may not have consulted with the TA in preparing estimates. That is the only logical conclusion to draw from the endless inconsistencies being thrown up between the TA and the budget in terms of allocations and actual implementation.

However, the details and mechanisms for the private sector contribution are not specifically provided in any document available to this Review. But the TA mentions pension funds, PPP, long term Commercial Bonds, Export Credit Finance, oil for infrastructure, private equity and infrastructure bonds as possible sources of funding. From available information, with the exception of requests for external borrowing, these private sector funding mechanisms are yet to be explored and this throws back the full funding for the projects to the public sector.

6.0 CONCLUSIONS AND RECOMMENDATIONS FOR IMPROVED BUDGETING AND IMPLEMENTATION OF INFRASTRUCTURE PROJECTS

6.1 CONCLUSIONS

This Review was primarily about measuring the consistency level between 2013 capital budget proposals of eight key sectors - Works, Power, Transport, Water Resources, Agriculture, Niger Delta, Education and Health and the projections for the sectors within the Transformation Agenda which encompasses other Development Plans. It also set out to identify large scale projects with huge socio-economic impact on Nigerians, evaluate their implementation status and draw recommendations for capital budgeting and project implementation. The key questions the Review tried to answer were: Were the 2013 capital budget proposals for infrastructure development in the 8 sectors consistent with the TA? Do funding gaps exist given the requirement for achieving the projects and the proposed 2013 budget? What challenges associated with infrastructural project execution manifested in these projects? Are some of the 2013 budget infrastructure investments bankable or amenable to public-private partnerships (PPP)?

The Review found that there is high level inconsistency between the 2013 capital budget proposals for the sectors and the projections for them within the TA and the 2013 budget proposals fall short of government's commitments to sectors and key projects. It also found that funding gaps existed for 87.5% of the project samples reviewed, both in terms of budgetary allocations to them and amounts released to contractors, thus creating time and cost overruns for most of the projects. The challenges that were noticed include the disconnect between available resources and number of projects; disconnect between development plans and budget; no clear rules guiding contract execution; poor project timing and unfavourable weather; inadequate budgetary resources and delayed releases; poor utilization/absorptive capacity of MDAs and contractors.

6.2 RECOMMENDATIONS

The following recommendations are made based on the Review and it is hoped that adopting them will facilitate overcoming the identified challenges.

6.2.1 Provide Synergy between Development Plans and Budget

(a) In approving capital projects, the legislature should ensure that such projects have been identified or are justifiable as priorities under the Development Agenda. Budget crafting in the executive and legislature must therefore be guided by relevant documentation including Vision 20:2020 and its First National Implementation Plan, the Transformation Agenda of the incumbent administration and the Medium Term Expenditure Framework.

(b) It is also imperative that steps are taken to harmonise the quantum of resources dedicated to recurrent and capital projects to the proportions provided in the

Development Agenda, for instance by 2013, capital expenditure should have reached a minimum of 44% of total expenditure[19].

6.2.2 Activate the Alternative Funding Sources of the Development Agenda

The Development Agenda identifies alternative funding sources to complement budgetary and public funding of capital projects. They have been identified to include pension funds, PPP, long term Commercial Bonds, Export Credit Finance, oil for infrastructure, private equity and infrastructure bonds. Even if they cannot be activated to fund projects awaiting legislative approval for the 2013 financial year, the legislature in collaboration with the executive, can take steps shortly after approving the budget to activate these alternative funding mechanisms.

6.2.3 Match the Number of Projects with Available Resources

It has become imperative for the legislature to match the number of capital projects going into the budget with the available resources. This will reduce waste in the number of abandoned projects and facilitate quick delivery of capital budgets. In subsequent years, the legislature must seek to secure an early agreement with the executive, based on national priorities, on the number and exact projects to be approved in the annual budget.

6.2.4 Ensure Proper Planning of Project Cost and Execution Time

It is imperative for the legislature to review the methods used by the executive for the calculation of project costs and allotment of time for project execution. Project costs should be realistic but not inflated. As at the time project timeframes are determined, planners should take cognizance of weather and other natural conditions. These will help reduce time overruns for projects.

6.2.5 Regulate the Contract Variation Procedure

The legislature should review the methods employed in upward review of the cost of projects. A situation where some projects recorded 154% and 178% upward variations during periods of low inflation rate is unacceptable. The legislature should demand and review the bill of quantities and other relevant documentation that led to the upward review before appropriating money to satisfy the executive request.

6.2.6 Provide Rules for Contract Execution

There are no standard codified rules and guidelines regulating the relationship between MDAs and contractors in contract execution. The legislature may consider the enactment of a *Contract Execution Act* which will detail the general rules and guidelines for contract execution and guides the relationship between MDAs and contractors and service providers. The Public Procurement Act appears to regulate proceedings up to the award of contract and thereafter, the parties are left to their respective agreements which most times is skewed against the government.

[19] See Page 50 of the First National Implementation Plan of Vision 20:2020

6.2.7 Ensure Full and Timely Release of Appropriated Capital Funds

The legislature through the Appropriation Act and the power of oversight must ensure full and timely release of appropriated funds. Considering that in the last seven years, the nation has always realised more money than budgeted from oil and the difference is kept in the Excess Crude Account which the Fiscal Responsibility Act states should be used to augment low budgetary funds, there is absolutely no excuse for the non release of funds meant for capital projects. The legislature should, as a matter of necessity, consider sanctions against the appropriate government officials who disobey the direct mandate of the Appropriation Act.

6.2.8 Enhance MDA Utilisation of Released Funds

The legislature should enhance oversight over expenditure of funds it appropriates. The legislature may consider sanctions against Accounting Officers of MDAs who have displayed tardiness in the utilisation of released funds.

6.2.9 Increased Appropriation to the Eight Sectors

The legislature should consider increased appropriation to the eight sectors reviewed in this Report in accordance with the projections in the Development Agenda. The increases should be funded from savings in wasteful and frivolous expenditure in the overheads especially in meals and refreshments, welfare packages, travel and transport, etc.

6.1.10 Add Unspent Capital Budget Sums to the Projects for which they were Initially Appropriated

Add unspent funds from the capital budget in the year 2012 as additional funds to complete in 2013, the projects for which the sums were initially appropriated. Essentially, funds carried over from the capital budget should still be spent on capital expenditure and on no account should it be diverted to recurrent expenditure.