

# BUDGET ANALYSIS BRIEF

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# AKWA IBOM 2009

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**NIGER DELTA CITIZENS AND BUDGET PLATFORM**

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## **A CALL FOR OPEN BUDGETING**

The Niger Delta Citizens and Budget Platform initiated its budget advocacy campaign aimed at citizens' education, mobilization and participation in the budget process; and government's transparency, prudence and equity in the management of public resources. This analysis of the 2009 budget of Akwa Ibom State budget has been produced for citizens, as well as the executive and legislative arms of government.

The status of Akwa Ibom as one of the oil producing states of the Niger Delta entitles it to 13% derivation as provided for in the 1999 Constitution of the Federal Republic of Nigeria. The derivation principle ensures the return of a portion of oil revenue to the state where it is derived. This derivation principle has essentially made Akwa Ibom state one of the highest earners from the federation account. Unfortunately, this increased allocation has not translated to much tangible improvement in the life of citizens of the state. On many development indices, the state does not fare much better than other non oil producing states in Nigeria. Akwa Ibom state is still principally characterized by a large subsistent rural population living in conditions of worsening health and education infrastructure.

### **Budget Secrecy**

Matters of budget and other fiscal issues are treated as the exclusive preserve of political office holders. For reasons not very clear, the budget is treated with utmost secrecy: it is not available on any website or in any library in the state and request for it is viewed with suspicion. Research undertaken by the Platform reveals that the budget making processes in the state begins and ends within the quarters of government without any consultation or participation of citizens.

### **2009 BUDGET**

This analysis is focused on the education and health sectors of Akwa Ibom State. The purpose is to examine the state government's relative prioritization of these sectors to see how they measure to national and international stipulations for development as well as the State government's own policy statements.

The policy direction of the Akwa Ibom State government is given below:

## POLICY THRUST AND OBJECTIVES

- (i) *The consolidation of the gains so far achieved and setting parameters for future action that will ensure that the process of transformation is accelerated and our collective goal as outlined in our medium term plan document , the AK-SEED, is judiciously and strictly implemented and sustained;*
- (ii) *The revitalization of our human capacity development;*
- (iii) *Actualization of the economic power base of the state through the development of tourism, transport and economic infrastructure with emphasis on the revitalization of our educational system;*
- (iv) *Provide strategic rural and urban road network throughout the length and breadth of the state;*
- (v) *Intervene through the inter-ministerial Direct Labour Committee to eradicate or reduce to the barest minimum bureaucratic bottlenecks in contract award, supervision and administration of small and medium scale jobs;*
- (vi) *Provide health care and educational facilities within 3 kilometers and potable water within one kilometers radius of every community in the State;*
- (vii) *Completely electrify all rural communities in the State;*
- (viii) *Expand and diversify the resource base of the state's economy to sustain the transformation and reforms initiatives;*
- (ix) *Develop agriculture through the supply of improved agricultural inputs, credits and extension services and provide simplified agricultural technology to farmers and encourage the cultivation crops and production of livestock.*
- (x) *Pursuit of poverty reduction measures to enhance the living standards of the people and increase the level of productivity of the citizenry;*
- (xi) *Address the social development gaps in the educational and health sectors.*
- (xii) *Tackle the ecological challenges of the state towards creating a friendly living environment for the people;*
- (xiii) *Promote youth and women empowerment as well as ensure the protection of the child and the vulnerable groups in the society, to entrench social equity; and*
- (xiv) *Ensure a peaceful and safe society through effective security network in the state.*

## IMPLEMENTATION STRATEGIES

- 10. *The following strategies and measures shall be adopted in 2008 in order to realize the above objectives:*
- (i) *Completion of ongoing supportive infrastructural facilities especially roads and power, and promotion of economically productive enterprises;*
- (ii) *Commitment to the completion and consolidation of the gains of development efforts of the last Administration as well as commitment to collective goals outlined in AK-SEEDS, Medium Term Development Goals (MDGS), and other Medium Term Expenditure Frameworks (MTEFS)*
- (iii) *Application of resources in a prudent manner to accelerate the transformation of the State for the attainment of "A Greater Akwa Ibom State" in keeping with the broad goals of this Administration;*
- (iv) *Investment in revenue yielding projects in oil and gas and tourism related activities;*
- (v) *Expansion and diversification of the internal revenue generation base and plugging loopholes to stop leakages.*
- (vi) *Implementation of wealth creation and poverty alleviation programme through core ministerial mandates and other donor-funded programme in the State;*
- (vii) *Expansion of women and youth empowerment through capacity building and elimination of gender discriminating practices and enforcement of protection laws;*
- (viii) *Combating crimes by providing necessary assistance to security agencies operating in the state to facilitate prompt response to security threats in order to sustain a peaceful and friendly environment which would attract investors and donors to participate in the tourism, oil and gas and other relevant sectors of the State's economy;*
- (ix) *Making the Public Service efficient and effective to meet the challenges of good governance; and*
- (x) *Embarking on compliance and value for money monitoring on all capital releases.*

The import of the policy thrust of the administration in the area of health and education can be summarized thus:

- emphasis on the revitalization of the educational system
- Provide health care and educational facilities within 3 kilometers and potable water within one kilometer radius of every community in the State;
- Address the social development gaps in the educational and health sectors

<b>SOURCES OF INCOME</b>	<b>REVISED ESTIMATED RECEIPTS, 2007</b>	<b>REVISED APPROPRIATION, 2008</b>	<b>2009, APPROVED ESTIMATES</b>
Transfer from Federation Account	122,216,675,300	193,909,980,080	101,960,990,530
Opening balance	1,000,000,000	1,000,000,000	30,000,000,000
Internal loans	12,214,850,000	6,121,835,920	24,517,577,470
External loans	897,506,000	2,000,000,000	2,000,000,000
Grants	630,000,000	6,000,000,000	7,541,000,000
Ecological Fund	100,000,000	100,000,000	100,000,000
Miscellaneous	6,078,540,000	13,700,000,000	994,540,000
<b>TOTAL</b>	<b>143,137,571,300</b>	<b>222,831,816,000</b>	<b>167,114,108,000</b>

It is obvious from the above table that Akwa Ibom State depends heavily on funds from the federation account. In 2007, 85% of capital receipts came from federal transfers. In 2008, the figure represented 87% and in 2009, it is expected to stand at 61%. The decline in dependence on federal transfers that is noticeable from the charts is not as a result of better mechanisms for internally generating revenue, neither is it attributable to a diversification of the economy. From the table above, it is clear that the decline is as a result of an opening balance of N30billion from the previous fiscal year, and a N24.5 billion internal loan that the state intends to collect. When all these are put in perspective, it becomes clear that rather than being in a position of greater financial independence, Akwa Ibom state is increasingly cultivating the habit of seeking external and internal loans to bankroll its budget. If this trend continues, it could result to a situation where larger and larger chunks of the state's revenue will be spent in debt service payments.

The government's dependence on grants to finance its budget is also on the increase. In 2007 only 0.4 percent of projected revenue was dependent on grants. In 2008 the figure was 2.7 percent. The figure almost doubles in 2009 to 4.5 percent of total expected revenue. While grants in themselves are not dangerous, a situation where the state becomes more and more dependent on these grants could have a negative effect if the flow of these grants stop.

Equally of note is the fact that the state's dependence on sources of revenue titled 'miscellaneous' (believed to refer to revenue flow from investments like the state owned hotels, shares in telecommunication etc) has significantly declined in the last two years. In 2007 the share of 'miscellaneous' was 4.2 percent, by 2009, it had dropped drastically to 0.6 percent.

This source of revenue essentially represents the commercial undertakings of the government. It is troubling that returns from these sources should be on the decline.

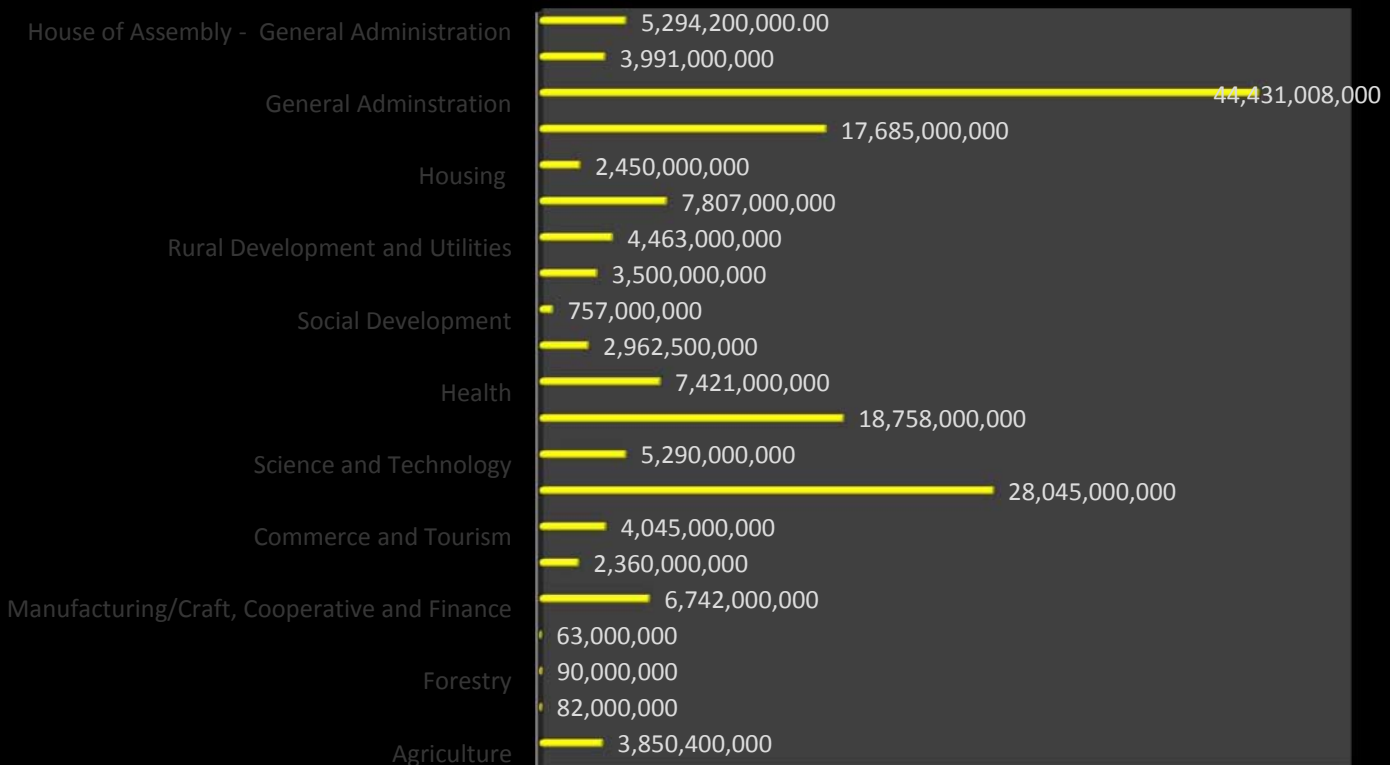
The fiscal trends highlighted above are clear contradictions of the government’s plan to diversify the revenue base of the state as stated thus:

- Expand and diversify the resource base of the state’s economy
- to sustain the transformation and reforms initiatives

Rather than achieve the stated objective, the government is further entrenching its dependence on federal transfers which itself comes from the sale of oil and gas in the international market. As is well known, the price of oil is determined by international market forces beyond the control of the Akwa Ibom State government or even the Nigerian government acting alone. This fact makes the revenue base of Akwa Ibom State very volatile as there is no way of predicting what revenue will accrue from oil in the next year or even the next month.

In the 2008 fiscal year, total federal transfer to Akwa Ibom State (as made available by Federal Ministry of Finance monthly revenue shared to states) stood at N206, 728,156,540. Total revised appropriation approved was N222, 831,816,000. The difference between what was collected as transfers and what was budgeted was N16,103,659,460. This shortfall in revenue from federal transfers may account for the poor performance of the 2008 Akwa Ibom State budget as at 31 August 2008. If this is the case, it shows that in actual fact, Akwa Ibom State depends absolutely on federal transfers and is susceptible to all the volatility that comes with it. Indeed, the overall budget performance was low as only N104,475,908,351.78 out of the total allocation of N222,831,816,000 was spent as at 31 August 2008.

## 2009 Allocations



## Health

In 2008 budget, the Health sector got N10, 247,000,000 representing 5% of the total revised appropriation. In 2009, the figure stood at N7, 421,000,000 representing 4.4% percent of the overall budget. This shows a 1.7% percent nominal reduction in allocation to health. In real terms however, when inflation has been factored in at 14 percent, the drop amounts to 6,509,649,122.8 or 3.9%. This is a drastic drop for a government that places emphasis on health, and intends to provide health care facilities within 3 kilometers radius of every community in the State.

Unfortunately, even the insufficient allocation in 2008 was not fully expended in the sector. As at 31 August 2008, the actual amount spent in the sector was ~~N~~357, 114,469 representing only 0.16 percent of the sectoral appropriation.

This scenario raises questions as to the government's priority in the health sector. Not only is the sector underfunded, it is also starved of funds duly appropriated to it.

In 2008, the per capita spending in the health sector was ~~N~~2, 846.39 while in the 2009 it is ~~N~~2, 061.39, a reduction of ~~N~~785 per citizen. This fact demonstrates that in 2009, the Akwa Ibom state government is spending less on the health of each of its citizens than it did in 2008.

## Education

In 2008, the education sector got ~~N~~15,858,600,000 representing 7% of total expenditure estimate but the actual amount spent in the sector as at 31 August 2008 was ~~N~~3, 826,662,272.55, representing only 24 percent of allocation to the sector.

In the 2009 capital expenditure estimate, the education sector gets N15, 785,000,000 representing 9% of the total capital estimate of the budget. Not only is this a reduction, an allocation of the above amount to the education sector does not do justice to the policy statement of the state in this regard. While other sectors in the state get much higher percentages of the total capital estimate, a vital foundation sector as education gets just 9%.

Of particular note is the fact that the highest allocation in the 2009 capital estimate is dedicated to general administration. In 2008 the case was the same; a total of N66, 105,412,000 was allocated to general administration. The exact description of 'general administration' is still a matter of contention. But the practice of allocating an overwhelming chunk of the budget to an area that has limited significance, raises questions of prudence and commitment to the stated goals of the administration. The allocation to general administration supersedes that given to health, education and agriculture combined.

## **Budget Repetitions and Irregularities**

An examination of the budget of Akwa Ibom State reveals many irregularities. This could be a function of poor and hasty budget making process or conscious effort at funds drain. Whatever the case may be, Akwa Ibom State cannot afford such wastage in the face of the huge development needs of the state.

## **Conclusion and Recommendations**

It could be concluded from the figures and analysis above, that Akwa Ibom State has not positioned its fiscal policy to achieve sustainable development. Despite its mission statement of achieving a diversification of its economy from oil revenue, actual practice provides for continued dependence on oil dictated federal transfers, loans and grants, with the consequences of its volatility and instability. From its fiscal policy, the state has not showed commitment to bringing about the much needed development in the education and the health sectors.

### **Recommendations**

#### ***On budget Making***

- *Citizens should be part of the entire budget cycle, from formulation to evaluation. It is only by this that the budget can be a truly people's document.*
- *Budget documents should be made public and accessible.*
- *Budgets should be drafted with care to avoid ambiguity and repetitions*
- *Budgets should be strictly adhered to in implementation*
- *Appropriated funds should be duly expended according to the budget*

#### ***On the State's Revenue Base***

- *Alternative sources of revenue (especially internally generated revenue) should be seriously explored.*
- *The policy of borrowing to finance the budget should be limited and subjected to public debate.*
- *The State's business concerns should be revitalized to contribute to the revenue base.*

#### ***On the Key Sectors***

- *Government should back its policy thrust with equal funding*
- *The Health and education sector should be closely administered to reverse the negative trends that have been noted.*
- *The trend of giving an overwhelming portion of the budget to 'general administration' should be discontinued.*

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