

BUDGET ANALYSIS BRIEF

RIVERS STATE

2009

**NIGER DELTA CITIZENS AND BUDGET
PLATFORM**

 www.citizensbudget.org

A CALL FOR OPEN BUDGETING

By Niger Delta Citizens and Budget Platform (NDCBP)

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 2009 budget of Rivers State budget has been produced for citizens, as well as the executive and legislative arms of government.

Rivers State and Revenues

Rivers State is ranked as the second largest economy in Nigeria, preceded only by Lagos State. It is the Hydro Carbon capital of Nigeria, providing the main hub of activities in the oil sector. Benefitting from the 13% principle of derivation which requires the allocation of a 13% share of oil revenue to the state of their extraction, Rivers State emerges among the highest earners of revenue in Nigeria.

These facts notwithstanding, Rivers State fares very poorly in all development indicators even in comparison to other less affluent states in the country. Prone to internal conflict and 'militancy', Rivers State is a flashpoint of crisis and restiveness, quite often leading to armed exchanges between the government's security forces and individuals and groups who feel left out of the largesse of the state. Oil wealth over the years has not translated into tangible betterment in the fortunes of the citizens, rather, most hitherto existing infrastructure in the state have steadily deteriorated to levels of utter disrepair. This trend has been fuelled by a culture of fiat and corruption leading to the creation of vast private estates of wealth by former and serving government functionaries, at the expense of the commonwealth. It is perhaps as a result of the attendant backwardness that this situation has engendered, that the current administration in the State has adopted a far reaching approach embodied in the Rivers State Sustainable Development Programme, itself conceived as a partnership between the public and private sectors including international financial institutions.

Budget Secrecy

The Rivers State government recently posted a summary of its 2009 Budget on the state's website. While the few pages made public gives insight into the overall spending priorities of the government according to sectors, as well as the size and contribution of various revenue sources, it fails to provide any detail into actual projects that the various sectoral allocations will be spent on.

The relevant offices in the Rivers State government still consider the budget a private document, perhaps the exclusive preserve of a few within the corridors of power. At every request for the budget, the ready response was always another request to know what the budget was needed for. Ostensibly, no answers are considered satisfactory enough to necessitate the release of the budget to 'the public'.

2009 BUDGET

This analysis is focused on the education and health sectors of Rivers 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. Special focus is placed on the education and health sectors.

The Rivers State's policy direction is as summarised in the table below;

Policy Thrust

The Rivers State Sustainable Development Agency (RSSDA) is a strategic intervention initiative of the Rivers State government set up under an autonomous legal framework by the State Government to re-focus development effort in the areas of poverty alleviation, rural grassroots and youth empowerment in the State.

To execute our mandate, we deploy partnership to tap into the wealth of experience and support of organisations such as The World Bank, USAID, DFID, NNPC, SPDC, NDDC and other agencies of Rivers State Government.

Our Vision

A prosperous and peaceful Rivers State where communities are productive, have access to basic social amenities, economic opportunities and a healthy environment that facilitates sustainable livelihoods.

Our Mission

We are committed to strengthen the capacity of communities to be economically productive through:

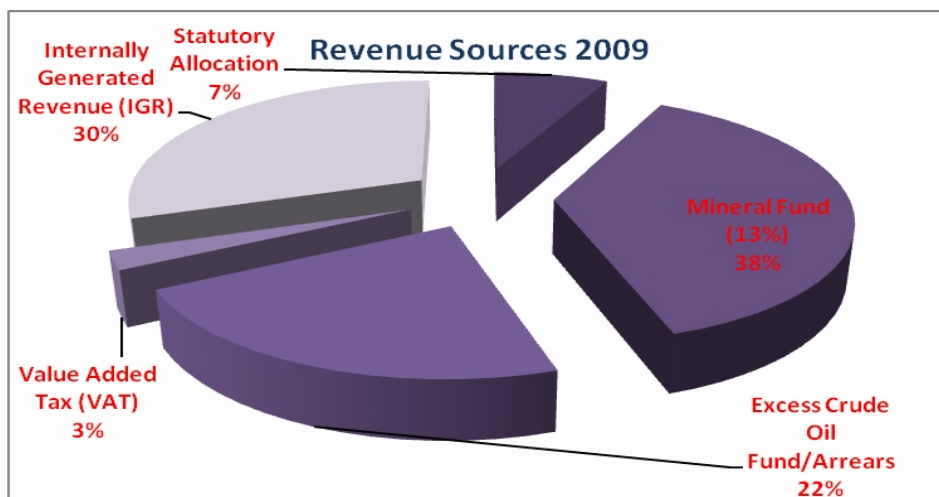
- provision of skills for economic production
 - provision of economic infrastructure
- institutional support for socio-economic development at community level, with special focus on the youth.

From the vision and mission above, the policy direction of the Rivers State Government can be summarized as a quest to enhance economic production. Taken from a different angle, this quest raises challenges as to the quality, size and motivation of the work force. At a more strategic level, the approach to realizing this aspiration will be to channel expenditure in such a way that it strengthens the workforce educationally and health-wise to boost individual capacity and productivity; and in remuneration to engender motivation.

Income

The Rivers State 2009 revenue projection is as follows: A total of N24,250,000,000 is expected to accrue to the state as statutory allocation from the federation account, N123,430,000,000 as its share of the 13% derivation also from the federation account, N73,600,000,000 from excess crude from the federation account, N8,000,000,000 from value added tax, and N99,000,000,000 as internally generated revenue. N104,000,000,000 of the revenue is expected to come from unspent funds from the previous year.

A calculation of the 2009 revenue expectation of the Rivers State government shows that 67% is expected to come from the federation account which itself is dependent on the flow of oil revenue. The danger in such dependence is that should the business of oil run into any unforeseen shortfalls or price drops (as is often the case), the revenue stream of the state will be affected in such a way that it cannot carry out its development programmes.



The dependency on oil determined federal transfers as the principal stream for servicing the state's budget, is a phenomenon which occurs in even higher degree in the preceding years. In 2007, out of the state's N179,384,098,500 revenue projection, 79% depended on federal transfers. In 2008, out of a revenue projection of N377,081,134,096, N81% was dependent on federal transfers. Seen in this regard, the 2009 budget represents a rare break with a tendency that has caused a great degree of volatility as well as engenders wastage through numerous untapped channels of revenue mobilization. For instance, while in 2007 and 2008, only N22,464,098,500 of the revenue projection was expected to be from internally generated revenue, the 2009 budget provides for N99,000,000,000 or 30%. Though such radical projection also comes with the challenge of the government's ability to actually collect such revenue, it nonetheless indicates an understanding of the need to reduce the state's dependence on oil related revenue.

The state's total expected revenue also reflects considerable increase when compared to the figures in previous years. In 2006, the figure was N168,030,823,497. In 2007 it was N179,384,098,500, and in 2008 it rose to N377,081,134,096. As indicated in table 1, the 2009 figure is N432,280,000,000. Between 2006 and 2009, there is a N264,249,176,503 nominal increase in the budget which is quite considerable. This fact translates to an increased capacity of the state to carry out development programmes.

Expenditure

In the 2009 budget, the government intends to spend a total of N88,060,059,331 or 20.3% of the total budget on recurrent expenditure, while N344,219,940,669 or 79.6% is to be spent on capital expenditure. The total budget figure also shows a N75,984 per capital share. In simple terms, this figure represents the amount the Rivers State government intends to spend on each of its citizens in 2009.

The Rivers State 2009 Budget presents very poor distinction of sectors and the attendant allocations. Budget lines that obviously belong to certain specific sectors are treated as independent. For example, Ministry of Works is treated differently from the state Water Board and Rural Water Supply. Also, Roads and Drainage is treated as distinct from Sewage and Drainage. Many similar ambiguity makes it difficult to make proper sectoral distinction.

However, a look at the spending priorities of the administration raises questions as to what the subjects actually refer to. For instance, the Rivers State government intends to spend N8 billion as 'security vote' under the 'government house'. In 2008, N12 billion was dedicated for the same purpose. The convention surrounding monies allocated as 'security vote' has it that the use of such funds are at the discretion of the state chief executive and he or she is not obliged to account for its use or even make it public. The proper designation of 'security vote' has been a source of many interpretations and equally may conflicts. But whatever the contention is, the fact remains that the presence of a subject in the budget whose exact use is permitted to remain secret and the funds allowed to go unaccounted for, is a misnomer and an avenue for the drain of scarce resources.

Other expenditure preferences which raises questions include 'General Administration (Proper)' which is allocated N18,753,828,700. In 2008, the same subject was allocated N35,223,307,747. According to the budget, the funds are to be shared among the various government ministries and agencies as well as an array of special advisers. The budget is silent on the exact nature of 'general administration' these funds will be used for since most of their capital expenditure are already catered for under other subjects in the budget, and they are also provided for in the recurrent expenditure list.

The budget equally provides N1,050,000,000 for Rivers State House of Assembly Capital Expenditure. In 2008, N3,153,319,904 was allocated for the same purpose. No indication of the actual expenditure plan for the funds is provided in the budget. This fact raises questions as to the manner of capital expenditure that Rivers State legislators are expected to make. The principles of separation of powers in governance preclude legislators from embarking on capital expenditures. That is the prerogative of the executive arm.

In the same manner of allocation, N2,000,000,000 is given to the subject 'Special Project Bureau (Specified/Unspecified Projects)', and N2,300,000,000 is marked for 'Unspecified Projects (Government House)'.

Education

In 2009, N48, 179,775,664 is allocated to the education sector. In 2008, the allocation was N23, 799,597,874. This is a N24, 380,177,790. When it is calculated against a 14% annual inflation rate, the figure stands at N42, 262,961,107, which is a substantial rise. This renewed drive towards education in the state is a commendable phenomenon. This fact perhaps accounts for the aggressive renovation and construction of public primary and secondary schools which is noticeable in the state.

However, when calculated against the overall state budget, it becomes clear that the sector only gets 10% of the total budget. While the increase of almost 100 percent if maintained and replicated in other fiscal years and properly utilized could transform education in the state, it is difficult to see how the 2009 allocation of 10% of the overall budget can lead to the achievement of the administration's policy objectives in the area of education in the long term.

Health

The budget allocates N19, 055,000,000 to the health sector. The 2008 allocation was N14,489,250,000. The 2009 allocation represents a N4,565,750,000 nominal rise. When inflation is factored in at 14%, the figure stands at N16, 714,912,281.

Just as in the education sector, the figures indicate a fresh lease of commitment to the health sector. As in the education sector, this rise in allocation is likely responsible for the speedy renovation and construction of 105 health centres across the state. The value of the allocation, however, become less heartening when it is calculated against the backdrop of the overall budget sum. As represented in the chart above, the allocation represents just 4% share of the entire budget. It becomes even more so when it is recalled that subjects such as 'security vote' and 'general administration' receive N26,753,828,700 or 6% of the total budget. Clearly, the above scenario does not indicate a commitment to the government's vision of providing 'basic social amenities' for its citizens. While the increase in allocation is indicative of new policy interest on the part of the government, it is important to maintain the trend of increased allocation to the sector.

Conclusion and Recommendations

From the analysis above, it is evident that while the Rivers State government promises in its policy mission and vision to rapidly develop the state, its fiscal provision in 2009 does not give credence to this assertion. The sectors that bear directly on the development of the state and its workforce are given reduced allocation while less important ones get the bulk of the allocation. For example, resources are lost to such allocation as 'security vote' and 'general administration'.

In the area of revenue mobilization, there seems to be an increased interest in internally generated revenue. This is a trend that should be maintained as it indicates an era of resource independence from the volatile oil controlled revenue.

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 blanket allocations*

On the State's Revenue Base

- Other sources of revenue (especially internally generated revenue) should be seriously explored.*

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.

- *More percentages of the allocation should be dedicated to education and health*

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