



Demanding Budget Reforms for Resource Optimization



About BudgetIT

BudgetIT is a civic organisation driven to make the Nigerian budget and public data more understandable and accessible across every literacy span. BudgetIT's innovation within the public circle comes with a creative use of government data by either presenting these in simple tweets, interactive formats or infographic displays. Our primary goal is to use creative technology to intersect civic engagement and institutional reform.

Principal Lead: Gabriel Okeowo

Research Team: Abel Akeni, Iniobong Usen, Damilola Onemano, Vahyala Kwaga and Oluwatosin Iseniyi

Creative Development: Segun Adeniyi

Contact: info@yourbudgetit.com +234-803-727-6668, +234-908-333-1633

Address: 55, Moleye Street, Sabo, Yaba, Lagos, Nigeria.

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Overview

As fiscal shocks induced by the COVID-19 pandemic ravaged the economies of countries around the world in 2020, Nigeria's frail economy was one of those hit hard as the nation's \$448.1 billion Gross Domestic Product (GDP) as at 2019, tumbled by -3.62% in Q3 2020, the second consecutive quarter-on-quarter contraction, pushing the country into its second recession in the past 10 years. Nigeria emerged from recession in Q4 2020 with a GDP growth of 0.11%. Overall, all four quarters in 2020 fully considered, Nigeria's GDP growth for that year still stood at **-1.92%**.

To further consolidate Nigeria's exit path from recession, the federal government of Nigeria on 31st December, 2020 approved "the Budget of Economic Recovery and Resilience", a N13.59 trillion total

expenditure package for fiscal year 2021; a 25.7% increase from N10.81 trillion budgeted in 2020. How much relief should citizens expect from this approved 2021 budget? Data from the country's bureau of statistics indicates that **56.12%** of Nigeria's 69.68m strong labour force¹ were either unemployed or underemployed as at December 2020 in a country where 83 million people² already live in poverty and six people fall into poverty every minute³.

In this publication, we take a look at the key macroeconomic and fiscal fundamentals around which the 2021 budget is built; we also discuss its potential to deliver a full economic recovery. Furthermore, we unpack corruption trends in the budget and other related reform issues that need to be addressed.

Fiscal Fundamentals



Exchange Rate

N379
Per \$



Projected GDP Growth

3%



Benchmark Oil Price

\$40
Per Barrel



Actual 2020 GDP Growth

-1.92%



Daily Oil Production

1.86m
Barrels⁴



Targeted Inflation Rate

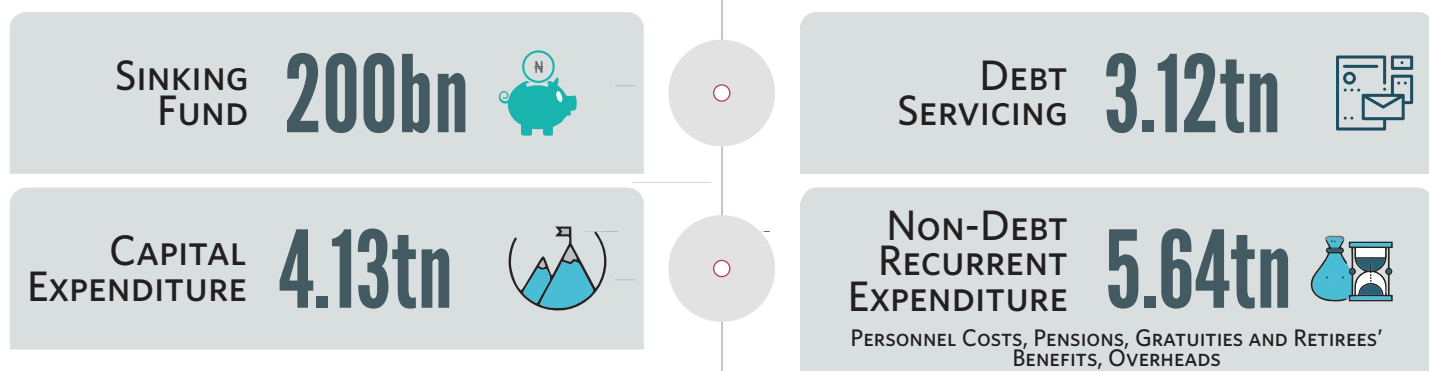
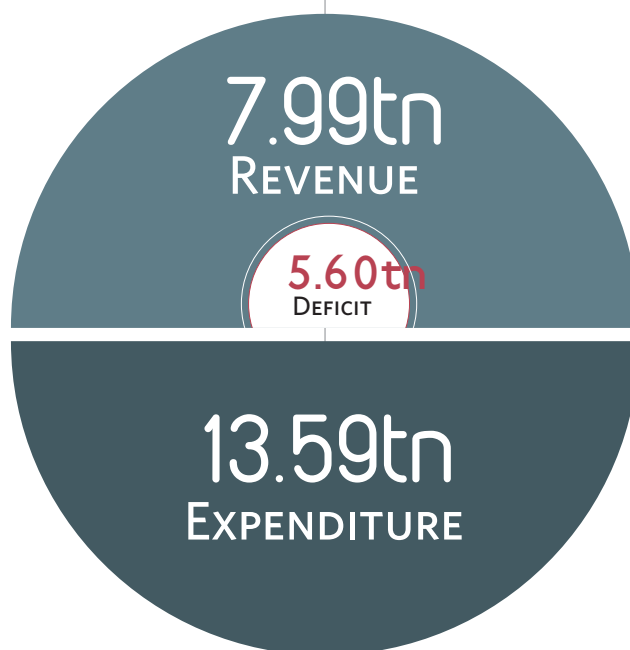
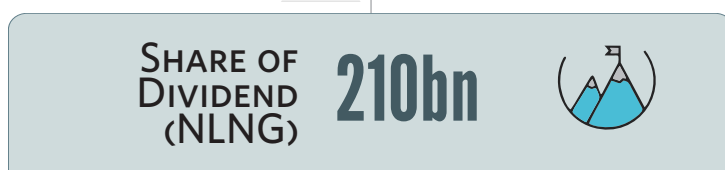
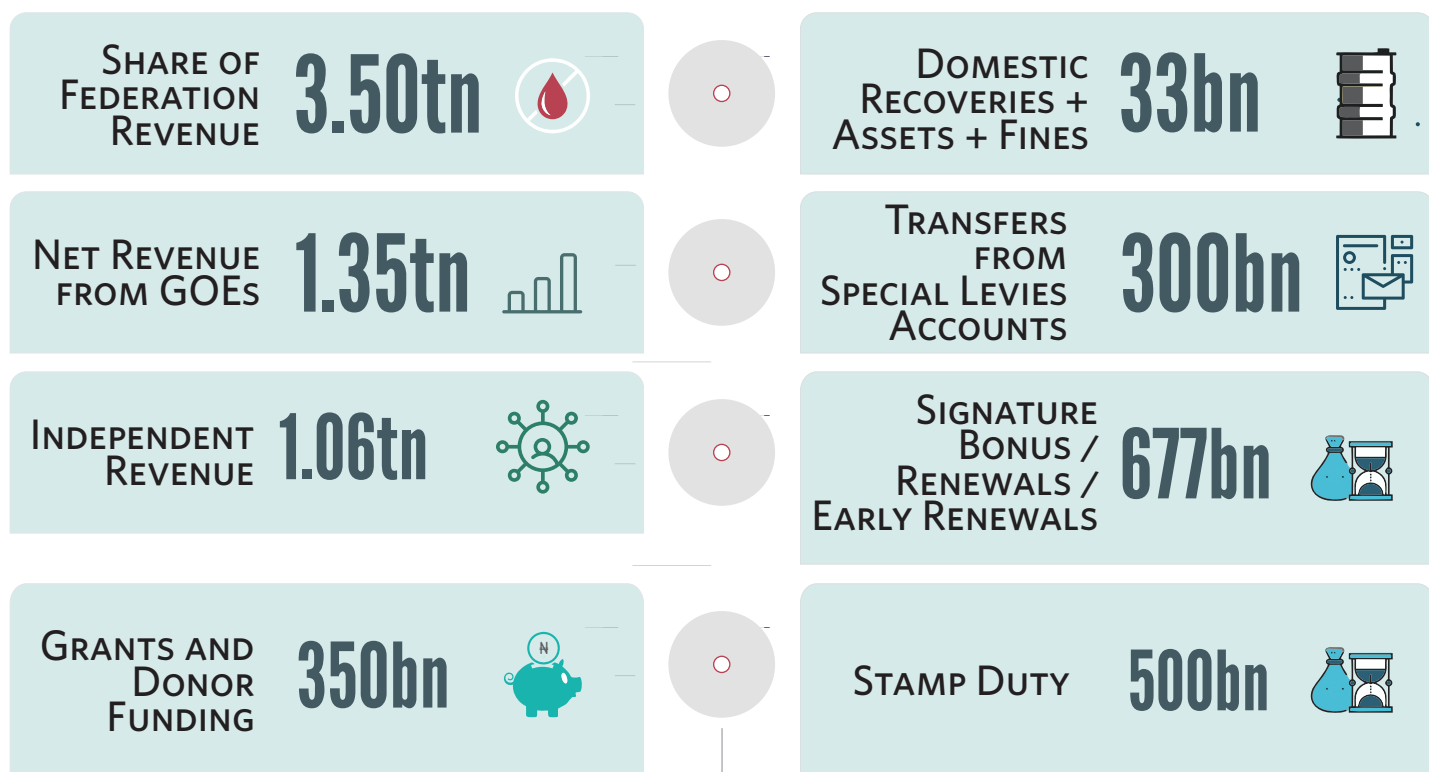
11.95%

Source: Budget Office of the Federation

2021

Approved Budget

FRAMEWORK
(NGN)



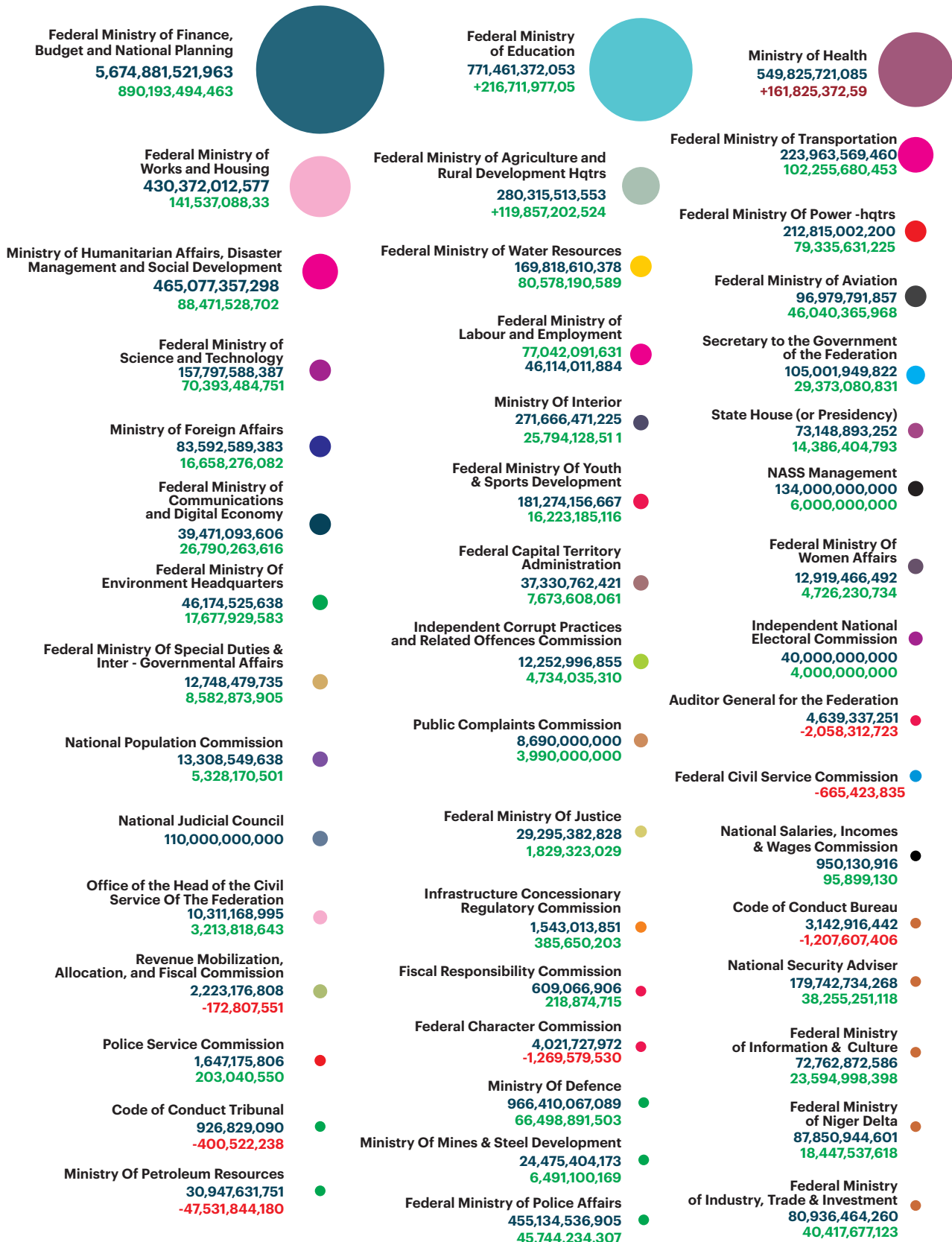
NOTE: FIGURES IN TRILLION ARE ROUNDED OFF TO TWO DECIMAL PLACES AND FIGURES IN BILLION ARE ROUNDED OFF TO WHOLE NUMBERS

SOURCE: BUDGET OFFICE

Key Changes in Allocations (2020 vs 2021)

Changes over 2020 Allocation

■ 2021 Budget
■ Difference between 2020 and 2021 Budget





Key Trends to Watch

1 Debt Servicing Crowds out Development Projects

The effect of past debt outlays taken by the government has begun to manifest with dire implications for citizens; Nigeria's 2021 budgeted debt servicing cost (i.e. the cost of repaying interest on past loans) which currently stands at N3.32trillion* will wipe out 41.63% – nearly half – of the country's 2021 projected revenue of N7.99 trillion. This further constricts the fiscal space for the country's government. The projected debt servicing is also more than three times the N1.06 trillion actual cost incurred by the government in 2015.

In the first half of 2020, debt servicing (including sinking fund to retire maturing loans) wiped 94.9% of Nigeria's revenue⁵.

This predicament leaves Nigeria with less money available to carry out development

projects for citizens, constraining the government to borrow more. The International Monetary Fund, IMF warns that at the current rate, if the country experiences a combination of macro-fiscal shocks, debt servicing could rise to 237% of federal government's annual revenue by 2025. Translation? By 2025 all of the government revenue may not be sufficient to pay up to half of its debt servicing obligations hence.

In that scenario, Nigeria will have to borrow to fund any capital and recurrent expenditure for that year as all its revenue would already have gone to servicing debt. In this light, the need for proactive preventive reform and prudent spending to forestall this scenario cannot be overemphasized.



IMF projects that at the current rate, debt servicing will exceed

237% Debt Servicing Revenue

of Nigeria's revenue by 2025, if the country experiences a combination of macro-fiscal shocks

* This includes N200bn Sinking Fund to retire maturing loans in 2021.

** This includes interest payment for "Ways and Means" facility advanced to the government by CBN.

N3.32tn
Budgeted debt servicing in 2021

will wipe out **41.63%** of Nigeria's **N7.99trillion** projected revenue in 2021

N5.6tn 

deficit in 2021 is more than 3x worse than the actual deficit of N1.52trillion in 2016.

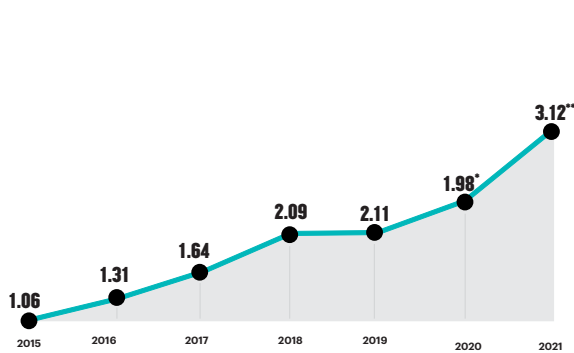
Central Bank of Nigeria (CBN) has loaned

N9.4tn

(\$25.6bn) to the federal government to close FG budget deficit in recent years



Actual Debt Servicing (NGN trillions)

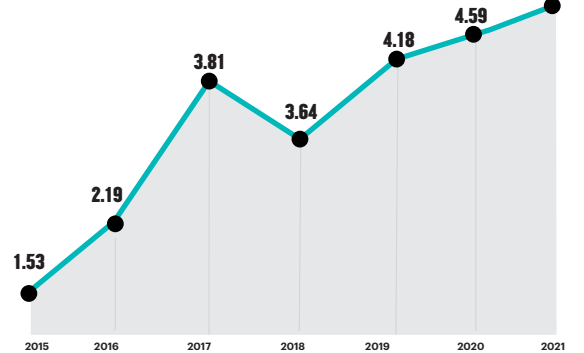


Source: FG Budget Implementation Report, FG 2021 Budget

* FY 2020 value is the actual debt servicing as at Q3 2020 only. Q4 2020 data was not available at the time of writing this report.

** FY 2021 federal government budget projections. 2015 - 2021 values exclude sinking fund to retire maturing loans.

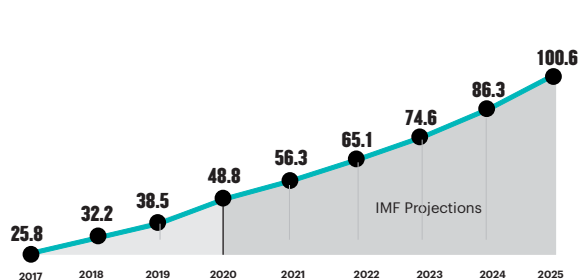
Fiscal Deficit (NGN trillions)



Source: FG Budget Implementation Report, FG 2021 Budget

*** FY 2021 federal government projected fiscal deficit.

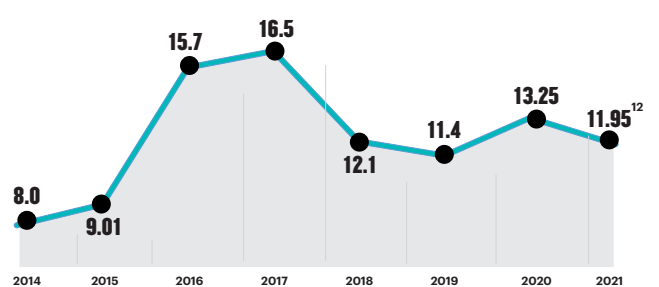
FGN Total Debt**** (NGN trillions)



Source: IMF Article IV Report, 2021

**** Includes overdrafts from the Central Bank of Nigeria (CBN), promissory notes and AMCON debt.

8 - Years Inflation Trend (12 Months Avg. Change)



Source: CBN

** FY 2021 federal government projection in Citizens Budget document

2 Deficit Rising Dangerously

Nigeria's N13.59 trillion 2021 budgeted expenditure comes at a huge cost; a N5.6trillion deficit. This is more than three times the actual deficit of N1.53trillion in 2016. The deficit is the difference between the government's projected revenue and budgeted expenditures; 83.67% or N4.69trillion of the N5.6trillion 2021 budget deficit will be financed by new local and foreign debt, increasing the country's total public debt burden.

The International Monetary Fund, IMF, predicts a dire future for public debt on page 39 of their Article IV report and takes the view that debt levels will rise to significant levels in the near future. The charts below, show the growth of public debt: in billions of naira and as a percentage of GDP.

This predicament calls for heightened vigilance by citizens on how the government will be spending this money. It also makes a case for renewed urgency in the quest to deepen and diversify the government's revenue as any increase in the projected 2021 deficit due to inability to meet the N7.98trillion 2021 revenue projection vastly increases the risks of a debt surge as additional debt may be needed to finance the shortfall.

The Central Bank of Nigeria, CBN has stated it will continue to support the federal government through overdrafts⁸ which experts believe is essentially a euphemism for CBN printing money for the federal government. The Central Bank of Nigeria has advanced \$25bn (N9.48trillion) in such overdrafts⁹ to the federal government so far to close the previous federal budget deficit.

While this is legal within the framework of

quantitative easing, an oversupply of the Naira could lead to hyperinflation if not effectively managed and especially if the projects driving the huge deficit are not long-term infrastructural projects.

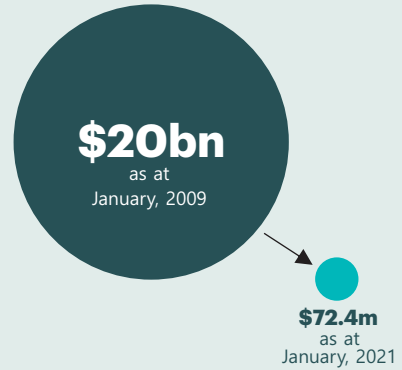
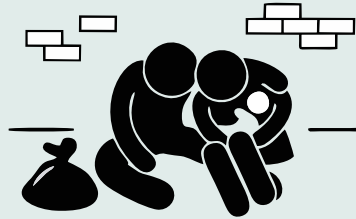
3 Inflation Risks Persist

Inflation rate is projected to be 11.95% in the supporting documents for the 2021 budget. However, the International Monetary Fund, (IMF)¹⁰ has a grim projection of 14.6% inflation rate for 2021, while actual inflation rate for the December 2020 period according to Nigeria's budget office was 14.89%. Some analysts like Prof Steve Hanke, a JohnsHopkins University Economist argue that the inflation rate in Nigeria is underreported and estimate it to be 33%/year as at January 2021 in the Hanke Annual Inflation Rates¹¹.

4 Savings for the raining day wiped out

Despite having at least three laws that require the federal government to save for the rainy day, the 2021 budget has no such savings to rely on to augment its revenue as it literally rains cats and dogs on the government's finances in the financial year 2021. Nigeria's Excess Crude Account (ECA) set up by Part VII Section 35 (1), (2), of the Fiscal Responsibility Act¹³ 2007 should have provided savings to close the deficit at a time like this, but years of fiscal indiscipline and executive rascality have milked the ECA dry from a peak \$20bn¹⁴ in January 2009 to an all time low of \$72.4m¹⁵ as at January 2021.

Excess Crude Account was depleted from \$20bn in January 2009 to \$72.4m in January 2021 leaving no savings for the government to fall back on for 2021 budget. This would mean less investment in infrastructure for citizens or more borrowing by the government.



In times of boom, fiscal rules were repeatedly broken through illegal withdrawals from the Excess Crude Account even though section 35 (5)(6) of the Fiscal Responsibility Act clearly allows withdrawals for only for budget augmentation (i.e funding an increase in budget deficit due to falling oil price causing missed revenue targets to prevent additional borrowing). In one instance of fiscal recklessness, the government withdrew¹⁷ \$350m as “Consultancy Fee & Litigation Expenses” in 2019.

No significant hope for funding the deficit in 2021 budget can come from the ring-fenced funds at Nigeria Sovereign Investment Authority, NSIA as no government since its inception has made direct regular, monthly oil savings to NSIA between 2010 and 2019 except the initial seed capital¹⁸ of \$1bn and two donations of \$250m each¹⁹ made by His Excellency, Muhammadu Buhari from the savings in the Excess Crude Account to the NSIA.

5

Positive, But Modest Economic Recovery Expected

Nigeria’s Gross Domestic Product (GDP), which is essentially the sum of all income earned from the value of goods and services produced by workers in the country stood at \$448.12bn²⁰ in 2019 and is projected by the federal government to grow by 3.0% in the 2021 fiscal year²¹— an expansion that could mean more jobs would be created in the country in 2021.

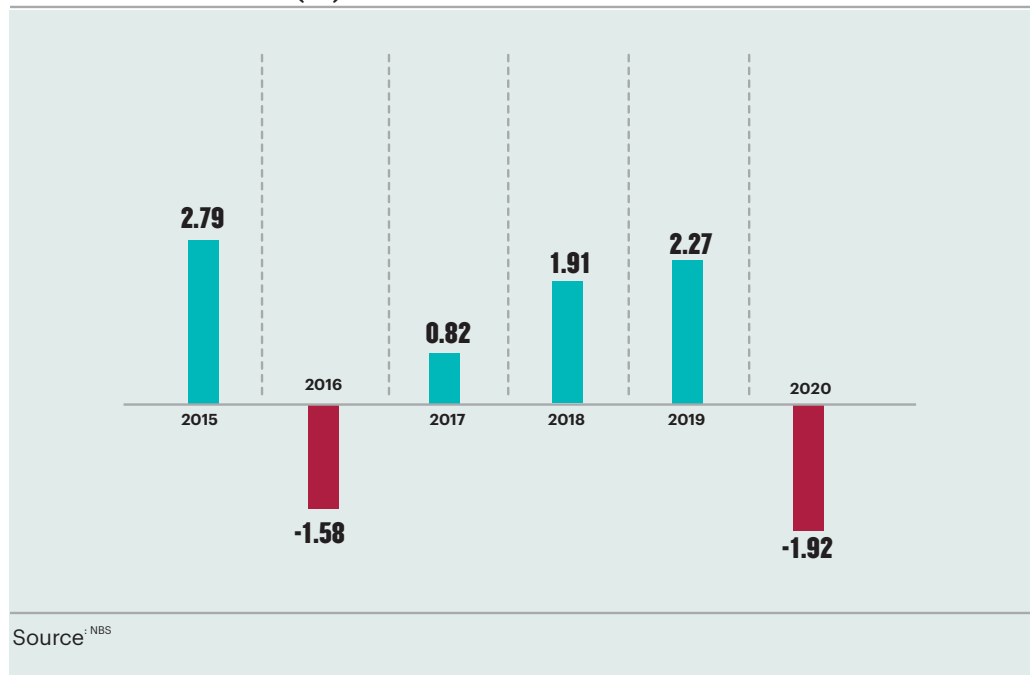
However, the International Monetary Fund, IMF is a bit more conservative as it forecasts a GDP growth of only 1.7% for Nigeria in 2021, an indicator that Nigerians may not see as many new jobs created as the federal government is projecting in 2021 through its GDP growth forecasts.

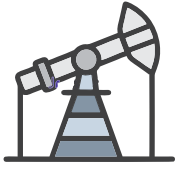
Nigeria’s Gross Domestic Product (GDP) growth declined by -6.1% in the second quarter of 2020. This ended the 3-year trend of positive, but modest, GDP growth

recorded since the second quarter of 2017. Nigeria's GDP growth struck another negative chord of -3.62% for the second consecutive quarter in Q3 of 2020, edging Nigeria's economy into the second recession in four years, with significant adverse consequences.

It however saw a modest growth of 0.11% in Q4 2020, successfully exiting recession²². Nevertheless, overall, all four quarters fully considered, Nigeria's GDP growth for 2020 still stood at -1.92%.

Actual GDP Growth Rate (%)





Oil Revenue Fundamentals

1 Oil Production & Price

Amid OPEC production cuts helping to rally crude oil prices, 25.18% of revenue for Nigeria's 2021 federal budget is underpinned by oil production with daily production estimates expected to hit 1.86m per day, up from 1.80m barrels per day benchmark for the 2020 revised budget.

Oil prices are looking up again as the global economy gradually recovers from the oil glut induced by COVID-19 pandemic which dipped average monthly Brent crude oil prices to \$18.38 per barrel in April 2020. Gains from OPEC production cuts in mid-2020 designed to create artificial scarcity and drive up prices have also begun to crystallize; the market price of Bonny Light crude averaged \$40.79 per barrel in December 2020, significantly higher than the federal government's revised benchmark price of 28 US Dollars.

Nigeria's 2021 federal budget is benchmarked at \$40 per barrel, up by 42.86% from the 2020 budget benchmark of \$28 per barrel.

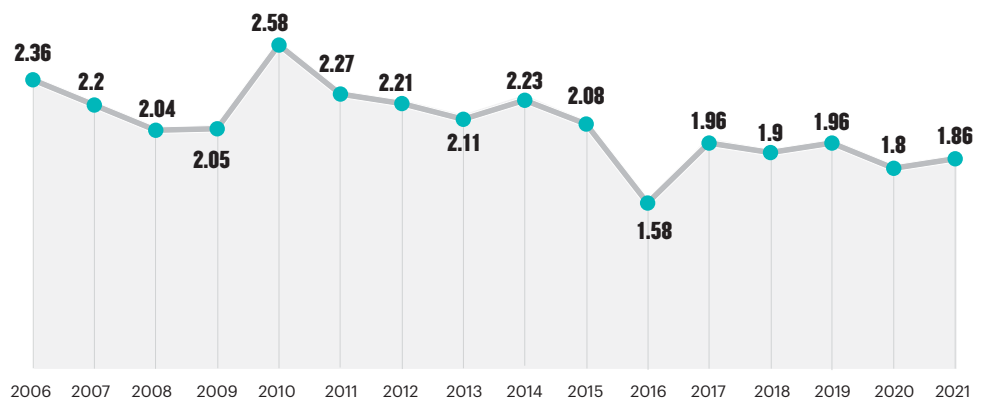
2 Slight Rebound in Foreign Reserves

Nigeria's foreign reserves -- the shock absorber with which the government defends the Naira from devaluation saw a slight rebound of 2.63% from \$35.37bn²⁷ in December 2020 to \$36.30bn in January 2021. It should be noted that this is still - 17.97% down from the \$43.12bn in 2018 making the government much less able to defend the naira from further devaluation should another round of shocks hit in 2021.

With limited foreign reserves, the federal government is currently defending the naira at N379 per dollar while the Naira trades on the black market for as high as N480 per dollar.

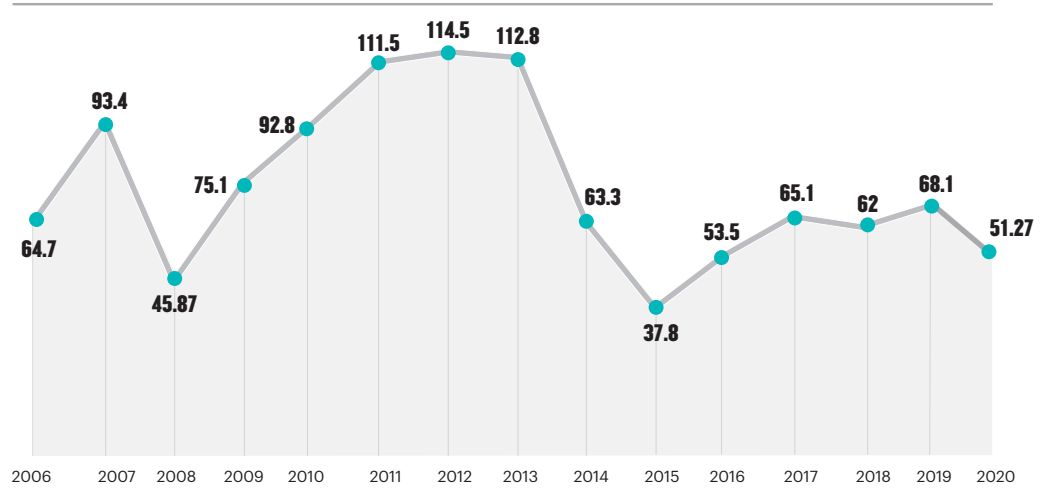
The risk of further devaluation of the Naira could mean higher debt servicing costs than estimated in 2021 FG budget as more devalued naira would be needed to service the same amount of foreign loans which are denominated in USD. It is important to note that remittances which affect positive building of foreign reserves have dwindled steadily since January 2020²⁸.

Average Daily Crude Oil Production (millions of barrels per day)



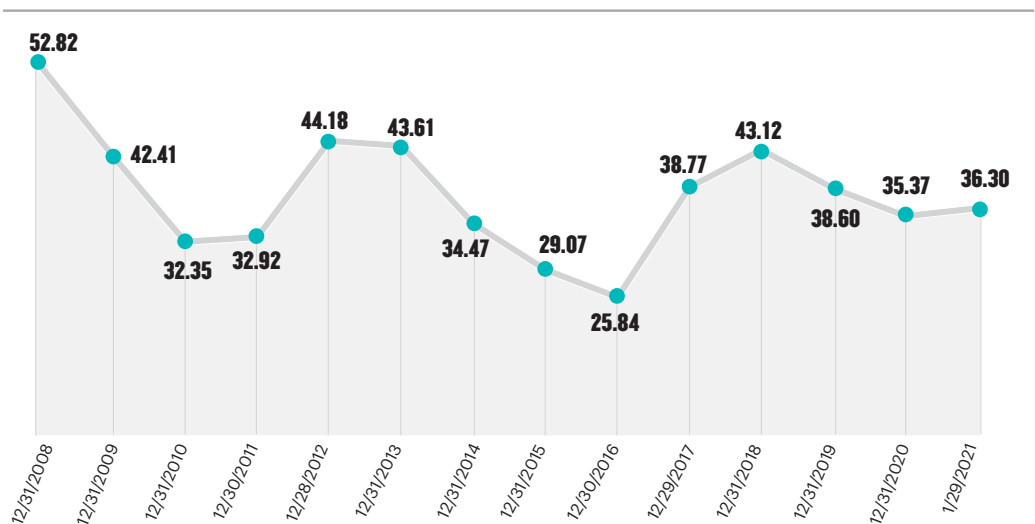
Source: 2020 & 2021 are from the MTFF as Passed by NASS

Crude Oil Price Per Barrel (USD)²⁶



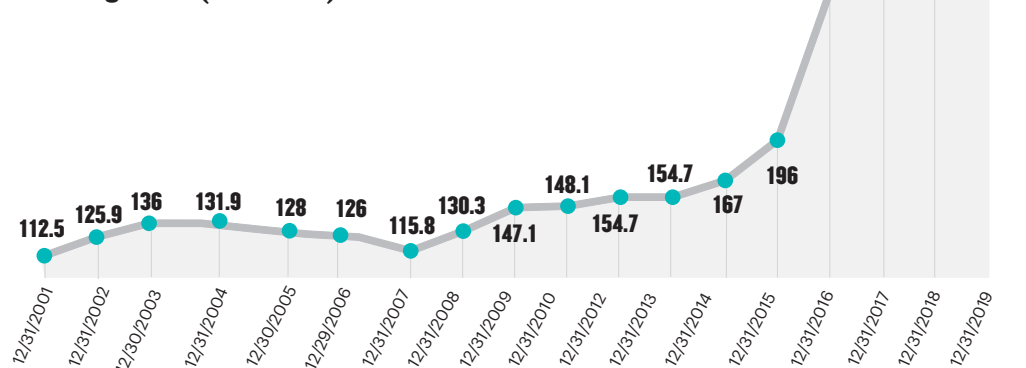
Source: CBN

Nigeria's Foreign Reserves (USD Billions)



Source: CBN

Exchange Rate (Naira/USD)²⁹



Source: CBN



Critical Budget Issues for Reform

1 Duplicated Projects

We analyzed all 19,036 capital projects in the 2021 federal budget³⁰ out of which 316 duplicate projects were detected within 74 federal agencies spread across 23 ministries and the Presidency with cumulative allocation of N39.5billion.

For example, the Nigeria Institute Of Oceanography and Marine Research had an allocation of N300m for *“Supply and Installation Of All-in-one Solar Street Light, 10,000 Lumens With Lithium Battery Pri Ats Across The Six Geo-political Zones”*, yet the National Agriculture Seeds Council received an allocation of N400m to implement the same *“Supply and Installation Of All-in-one Solar Street Light, 10,000 Lumens With Lithium Battery Pri Ats Across The Six Geo-political Zones”*.

Worth noting in this specific instance is that it is outside the mandate of both agencies to provide solar street lights across Nigeria.

Another example is the Border Communities Development Agency (BCDA) HQTRS which received an allocation of N237.5m for an ongoing project: *“Construction Of Bridge Across River Rima From Bubuice To Augie LGA Kebbi North Senatorial District Kebbi State”* whereas the Federal Ministry Of Environment Headquarters also got an allocation of N150m for to start a new project for *“Construction Of Bridge Across River Rima From Bubuice To Augie LGA Kebbi North Senatorial District Kebbi State”*.

In yet another manifestation of duplicated projects, we observed 195 instances

amongst the 316 duplicates where otherwise unique ERGP³¹ budget codes were assigned to more than one project. The risk inherent in this manifestation is that once one project is reported as completed, the duplicate project(s) with the same ERGP code can potentially be assumed to be completed even though it may or may not have been implemented.

As an example, budget code, ERGP78712459 was allotted to *“Special Training And Empowerment On Transport And Logistics To 12 Senatorial Zones And 40 Federal Constituencies”* with a N3.26bn allocation, in the Nigerian Institute of Transport Technology whereas the same budget code ERGP78712459 was also allotted to a smaller project *“Renovation Of School Blocks In Nkum Ekajuk Ukelle And Okpoma In CRS”* with a N250m budget allocation within the same agency.

Recall that in June 2020 our OpenTreasury report³² analyzing government expenditures detected that over 2,900 payments totalling N51bn paid into personal accounts in FY 2019 as opposed to being paid to corporate contractors. Duplicate projects in the federal budget could create a wide loophole for corrupt diversion of public funds











We analyzed all

19,036

capital projects in the 2021 federal budget out of which 316 duplicate projects were detected within 74 federal agencies spread across 23 ministries and the Presidency with cumulative allocation of

N39.5billion

Top 10 agencies with duplicate projects

	Federal Ministry Of Health ³⁹	115
	Federal Ministry Of Information & Culture - HQTRS	40
	Federal Ministry Of Agriculture And Rural Development HQTRS	25
	Fed. Min. of Education - HQTRS	23
	Federal Ministry Of Science And Technology HQTRS	17
	Fed. Min. of Transportation HQTRS	17
	Fed. Min. Of Environment Hqtrs	13
	Fed. Min. of Power - HQTRS	11
	Federal Ministry of Labour and Employment - HQTRS	11
	Fed. Min. of Water Resources - HQTRS	10

2 Capital Budget Padding

The practice of disguising recurrent expenditure line items within the capital budget (capital budget padding) was widespread throughout the 2021 federal government approved budget, meaning that the country's real capital expenditure may not be as high as what the government wants citizens and civil society to believe. Considering all government agencies had been warned in the 2021 Annual Budget Preparation Guideline to desist from this practice by the Ministry of Finance, Budget and National Planning, the government needs to vire all padded projects detected to other critical expenditures as a warning to all MDAs that fiscal guidelines should not be breached.

As an example, Federal Ministry Of Information & Culture headquarters has a N40m allocation for *"Participation In Joint Commission Meetings"* (ERGP30128929) as part of its capital expenditure, whereas cost of meetings are recurrent expenditures by nature. A total of N2.87bn was allocated to 112 line items for either town hall meetings, conferences, board meetings, quarterly reviews meetings or bilateral meetings were

padded into the 2021 capital expenditures budget.

The Federal Ministry of Budget and National Planning has a line item allocation under *"Service Wide Votes"* for N365bn for *"Upscaling the National Social Investment Program"* as part of its capital allocation. Whereas Nigeria's Social Investment Program consists of mainly interventions like the Conditional Cash Transfer, National Home Grown School Feeding Program (NHGSF), N-Power grants etc which are recurrent in nature. See full list here on BudgIT website.

Furthermore, a total of 76 line items for *"Advocacy, Awareness and Sensitization"* on a variety of issues with cumulative allocation of N2.5bn were disguised as capital expenditures; as an example, the National Agricultural Land Development Authority (NALDA) has a N200m allocation for *"Community Farmers Awareness Advocacy"* (ERGP1158828) as part of its capital budget. In the 2021 budget, N10.28bn was allocated to *"Anniversaries/Celebrations"* (sic) as capital projects across 22 federal agencies.

A total of

N2.87bn



from the capital budget was allocated to 112 line items for town hall meetings, conferences, and other meetings types.

A total of

N2.5bn



was allocated to 76 line items for *"Advocacy, Awareness and Sensitization"* which are clearly not capital expenditures.

3

Misplaced Projects and Budget Fragmentation

Federal agencies whose core priorities do not include certain project types now embark on such projects. An example, the National Agriculture Seeds Council received N400m for the provision of solar street lights in the approved budget; the *National Agency For Great Green Wall HQTRS*⁴⁰ has a N250m allocation for "Provision Of Street Light To Kuzutu and Selected Towns And Villages" even though the agency is set up for the management of drought, desertification control measures and afforestation.

In our publication on the initial 2021 budget proposal shared with the National Assembly and the public on issues with the federal budget, we flagged the Nigeria Institute Of Oceanography and Marine Research and recommended the removal of its N2 billion allocation for "Completion Of Installation Of 60 Watts High Powered Solar Street Lights In Various Lagos Communities" (tracking code: ERGP10161193) and this was removed by the National Assembly from the approved 2021 budget.

However, our analysis of the approved 2021 budget indicates that a new N300m project for solar street lights was inserted for the same Nigeria Institute Of Oceanography and Marine Research tracking code (ERGP554002181) for "Supply and Installation Of All-in-one Solar Street Light 10 000 Lumens With Lithium Battery Pri Ats Across The Six Geo-political Zones" before the budget was approved. This agency alone has at least 10 project allocations for projects ranging from supply of hospital equipment to procurement of hilux for the

Nigerian police - all of which are outside its mandate.

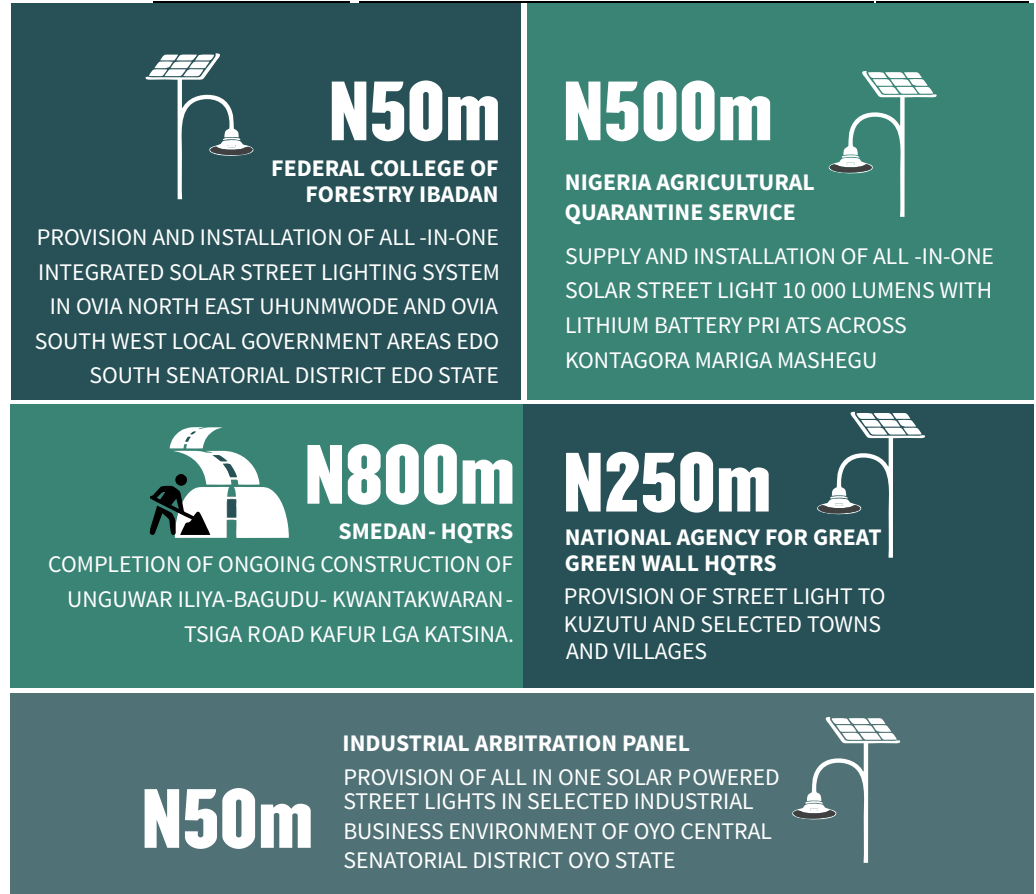
In the approved budget, 88 federal agencies had allocations for "Construction and Provision of Electricity" majority of whom are outside the Federal Ministry of Power and who do not have the competency or the mandate to undertake such projects. *Federal College Of Forestry Ibadan* has a N50m allocation to provide street lights in Edo State; Industrial Arbitration Panel has N50m for installation of street light in Oyo State in the approved budget.

Furthermore, in the final copy of the approved budget, we noticed that 91 government agencies had allocations for road construction, many of whom are not set up for such purposes. Project execution by agencies who do not have core competence in those fields guarantees that Nigerian citizens will not get value for money.

We also observed that the entire N4.13 trillion capital budget is fragmented across 19,036 capital projects in the 2021 budget, with some projects receiving as little as N100,000. This limits the type of large scale impact the entire capital budget can be expected to have especially as our analysis further observed that a significant number of these projects are really recurrent expenditures disguised as capital expenditures.

Misplaced Capital Projects in the 2021 Budget

A selection projects allocated to ministries and agencies who have no capacities to implement them



4 Frivolous, Unclear & Suspicious Items

Prior to the approval of the 2021 budget, we published a list of frivolous, unclear and suspicious line items observed in the 2021 federal budget proposal and also shared copies with the public and National Assembly Committee chairmen. A total of N36.23bn of all flagged items were either removed completely or had their budget slashed.

However, we noticed the insertion of new frivolous and suspicious items into the budget. As an example, the capital project

“Operations Cost of the Program” under NIGERIAN BULK ELECTRICITY TRADING PLC (NBET) agency was flagged as unclear and needing further details. Although the government is yet to provide any explanation/breakdown, this budget was cut by N10.37bn from N152.41bn in the proposed budget to N142.05bn in the approved budget. However, we noticed a new line item, “SENATE 5%” for N7.62bn or 5% of the initially proposed N152.41bn included in the NBET budget in the 2021 ‘FGN Approved Budget Details’ document (on page 499, uploaded 12-31-2020 on Budget Office website). We engaged with the government on this and it was attributed to a clerical error.

5 Weak Inter-Agency Collaboration, Weak PPP Adoption

There is weak inter-agency collaboration during the budget planning phase causing ministries to execute projects which they could be better off partnering with other agencies undertaking similar projects. As an example, the National Bureau of Statistics has provision of N140.6m for “National Housing Survey” and the *Federal Ministry Of Works and Housing* also has a provision of N13.5m for conducting its own “National Housing Survey”.

Another example is the Freedom of Information (FOI) portals and mechanisms in each government agency. The Nigerian government will be better off having a single Freedom of Information online portal (possibly hosted by the Bureau of Public Service Reforms (BPSR)) with a backend that

routes each request to the appropriate FOI officer via email and SMS in the government agency for whom that request is intended. This is much more efficient than having over 200 FOI portals across different federal government agency websites.

Furthermore, there are projects that would be better off executed as public private projects rather than being implemented with public revenue. As an example, the N1.92bn allocated for the *Construction And Equipping Of Driver Development And Training Centers In Six Geo-Political Zones In The Nigerian Institute Of Transport Technology* could have best been implemented in partnership with the private sector via a public private partnership arrangement.



Gaps in the Implementation of Laws



2021 Compliance Status Matrix for Fiscal Laws & Policy Statements

Key Full Compliance Partial Compliance No Compliance

Rule/Requirement	Compliance Rating
Publish Two Year Expenditure Plan ³⁴	
Publish Fiscal Target Appendix	
January - December Fiscal budget calendar	
Publish Previous Budget Performance Report (<i>up to June 2020</i>)	
Implement Budget Cost Control & Program Evaluation measures	
Reduce Risk of Abandoned Projects by prioritizing ongoing projects	
Include budget of Government Owned Enterprise (GOE) in the Overall FG Budget for scrutiny	
Publish Monthly Revenue Collection Targets disclosure	
Publish Fiscal Risk Appendix with the budget	
Eliminating Capital Budget Padding	
Include Global Positioning System (GPS) Coordinates for locations of all capital projects in the budget	
Publish Tax Expenditure Statement ³⁵	
Electricity Subsidy Transparency and Inclusion in Annual Budget	

Publish Two Year Expenditure Plan

The Fiscal Responsibility Act requires that the Annual Budget must indicate the money available and the way it plans to spend money by providing a copy of the underlying revenue and expenditure profile for the next two years.

Assessment - Full Compliance

This is provided in the Medium Term Fiscal Framework as passed by the National Assembly .

Publish Fiscal Target Appendix

The Fiscal Responsibility Act requires the government to publish with the budget a fiscal target appendix (derived from the MTEF) setting out targets for that financial year-(i) Target inflation rate, (ii) Target fiscal account balances, (iii) any other development target deemed appropriate. It requires that the Annual Budget must indicate how it intends to address Inflation, what national accounts should resemble and any other issue it deems critical for development.

Assessment - Full Compliance

The required information is provided by the government in one of the supporting documents for the budget, the Medium Term Fiscal Framework (MTFF) as passed by the National Assembly. The Medium Term Expenditure Framework (MTEF) also provides other details required.

Note: As of today, there is no national fiscal (nor monetary) strategy that adopts inflation targeting as deliberate state policy. This has consequences for the stability of currency and the resultant purchasing power of already impoverished Nigerians.

Restore January - December Fiscal budget Calendar ✓

Assessment - Full Compliance: The budget cycle is fully restored to the January to December planning cycle. This is now marred with the extension of 2020 Capital Budget spending extended till March 2021, so we cannot say there is full compliance.

Publish Previous Budget Performance Report

The Fiscal Responsibility Act requires a Report setting out actual and budgeted revenue and expenditure and detailed analysis of the performance of the budget for the 18 months up to June of the preceding financial year. In addition to this M&E duty regarding Budget implementation, the Ministry is to assess attainment of fiscal targets and report this on a quarterly basis to the Fiscal Responsibility Council and the Joint Finance Committee of the National Assembly.

Assessment - Partial Compliance ⚠

The Ministry of FBNP provides most of this requirement in the Fiscal Responsibility Act. However, what is published as budget performance (Budget Implementation Report) cannot be described as detailed as it doesn't provide information on performance details on each budget line item.

The federal government will be spending N17.7bn on Monitoring and Evaluation in the 2021 budget and has had very huge similar allocations to M&E in past budgets. The least it can do is to publish a detailed budget analysis for each project budgeted for. An ideal detailed analysis should include a segment that provides for the following details for each Ministry, Department and Agency.

Implement Budget Cost Control & Program Evaluation measure ⚠

The FBNP Annual Budget Call Circular contains extensive budget cost control measures including warning MDAs that International Travels, Purchase of Motor Vehicles etc will not be prioritized. The Fiscal Responsibility Act requires the ministry to put in place measures on cost, cost control and evaluation of results of programmes financed with budgetary resources.

Assessment - Partial Compliance ⚠

For example, despite warnings by the ministry to all MDAs in its budget circular that international travels and non-essential capital expenditures like motor vehicles will not be funded, N16.5bn was allocated to 162 MDAs for purchase of Motor Vehicles and N5.3bn was allocated to 203 MDAs for International Travels and Transport for Trainings purposes even though only 67 MDAs have approved budgets for International Training totalling N3.45bn. There is also the absence of a decision support tool to prevent MDAs from incurring costs not relevant to their objectives. As an example, the National

Agriculture Seed Council is now allowed in the 2021 budget to carry out solar street light installation across the country through a N400m allocation even though it has no competency in doing so. No measures exist for detecting and preventing duplicated projects; 316 of which were observed to the tune of N39bn in the 2021 budget.

There is a pricing guide/template available to the MDAs, which although is not publicly available for assessment is intended to control cost budgeted by MDAs. However, some costs within the budget still seem to be inflated, some line items remain vague and others are out rightly suspicious as can be seen from the chapter on “Critical Budget reforms” in this document.

What should a detailed capital *budget performance* look like in the quarterly or annual Implementation Report?


MDA Name	Sample Federal Ministry, Department or Agency				
Period	2020	Total Budget	N20,206,803,316	Cash Released (57%)	N11,420,000,000

Budget Code	Line Item	Budgeted Amount (NGN)	Amount Released (NGN)	Budget Performance
ERGP554003533	PROVISION OF 500KVA 11 AND 300KVA 11 AT DIFFERENT LOCATIONS IN DAWAKINTOFA RIMIN GADO TOFA KANO.	50,000,000	5,000,000	10.00%
ERGP554002161	ELECTRIFICATION OF GUDUS NYALUN KUNKYAM YULI IN PLATEAU STATE	300,000,000	155,000,000	51.67%
ERGP25126261	UPGRADE OF NIGERIAN NAVY REFERENCE HOSPITAL OJO	3,885,883,334	3,005,000,000	77.33%
ERGP1154514	REHABILITATION OF NGURU-GASHUA-BAYAMARI ROAD SECTION I (NGURU-GASHUA) PHASE II IN YOBE STATE	4,419,881,082	3,005,000,000	67.99%
ERGP554003394	KANO - GWARZO - DAYI ROAD AND OTHER ROADS AND BUILDINGS ETC IN KANO NORTH SENATORIAL DISTRICT KANO	2,000,000,000	1,500,000,000	75.00%
ERGP12128033	DUALIZATION OF USUMA DAM GURARA ROAD AS PHASE II OF LOWER USUMA DAM - GUARARA ROAD	1,500,000,000	750,000,000	50.00%
ERGP12128005	CONSTRUCTION OF SOUTHERN PARKWAY (S8 9) FROM ISEX TO RING ROAD I FCDA	1,500,000,000	500,000,000	33.33%
ERGP27154711	PROTOTYPE HOUSING SCHEMES SULEJA (NIGER STATE IKORODU (LAGOS STATE)	1,498,000,000	800,000,000	53.40%
ERGP12159315	CONSTRUCTION OF ACCESS ROAD WITH ASSOCIATED DRAINAGE WORKS FROM LEKKI EPE EXPRESSWAY TO THE TEXTILE AND GARMENT PARK LAGOS STATE	2,000,000,000	1,500,000,000	75.00%
ERGP554001240	PROVISION OF NEW SOCIAL HOUSING ON DEFUNCT NITEL SITE IN IPONRI LAGOS	3,053,038,900	200,000,000	6.55%

Note: This generic template is for illustration purposes only to suggest fields that should be added in the periodic implementation report published by the federal government's budget office.

Reduce Risk of Abandoned Projects


Mr. President in his 2021 budget speech to the National Assembly had promised to reduce the number of abandoned projects across the country by prioritizing ongoing projects over new.

Assessment - Partial Compliance 

At least 10,845 projects representing 56.9% of the 19,036 capital projects were designated as new projects whereas, there are still a significant number of ongoing projects that are yet to be completed; funds allocated to some of these projects will not be adequate to complete them leaving a potential for abandoned projects as government revenue shrinks.

Include budget of Government Owned Enterprise (GOE) in the Overall FG Budget for scrutiny

The Fiscal Responsibility Act requires the inclusion of the budget of Government Owned Enterprises to be included in the annual federal budget (Appropriations Act). The 2021 - 2023 Medium Term Expenditure Framework also assured that this would be provided in the federal budget for improved transparency and scrutiny.

Assessment- Partial Compliance: 

The budget of some Government Owned Enterprises (GOEs) have been included in the federal budget, however no details were provided for these lump sum budgets for scrutiny by the public or the National Assembly as promised in the MTEF. Also, it would seem that key GOEs are still being shielded from inclusion in the budget, most notably NNPC. NNPC Group expenditure were N4.7 trillion in 2018 and N4.6 trillion in 2019. The total lump sum budget of all GOEs put in the 2021 budget is nowhere near the expected expenditure for NNPC alone.

Publish Monthly Revenue Collection Targets

The Annual Budget must indicate how it will earn money, on a monthly basis, using crude oil prices as a benchmark. Revenue Framework (broken down into monthly collection targets, prepared on the basis of the predetermined Reference Commodity Price, as contained in Medium-Term Expenditure Framework).

Those familiar with the contents of the MTEF, may observe that items "i", "ii", "iii" are already represented within the framework. Previous years' revenue and spending, as well as anticipated revenue and spending profiles, are included within the MTEF, to a considerable degree. What is not complied with, are the stipulations relating to the "monthly collection targets" and this means that quarterly planning will be sub-optimal

and this will affect all other MDA's of the government involved in spending and revenue collection. These monthly targets are absent from the

Assessment - Partial Compliance



Detailed revenue breakdown is provided in the MTEF, but this is not done on a monthly basis.

Publish Fiscal Risk Appendix with the budget

The Fiscal Responsibility Act provides that the Annual Budget must indicate how the government intends to appraise fiscal risks relating to the Budget and what it would do to counteract the risks. Evaluating the fiscal and other related risks to the annual budget and specifying measures to be taken to offset the occurrence of such risks.

Assessment - Partial Compliance



The MTEF on p. 36 provides a table displaying federal government Guarantees and Contingent Liabilities (relating to the government's risk profile). However, it does not highlight how all the critical risks counteracted. It simply states that: "the FGN is developing Guidelines to serve as policy framework and guiding principles on issuance of Guarantees, Indemnities and Letters of Comfort and like instruments". No precise timeline is given for these guidelines, which means they are an item for which citizens must look out.

Eliminate Capital Budget Padding

The FBNP in its 2021 Annual Budget Circular to all MDAs during the budget drafting phase warned against the practice of smuggling recurrent expenditures (padding) into capital budget and cautioned that these will be discretionarily removed by the budget office if detected.


Assessment - No compliance



A significant number of padded, non-capital projects were still detected in the final approved budget. As an example, a total of N2.87bn was allocated to 112 line items for either town hall meetings, conferences, board meetings, quarterly reviews meetings or bilateral meetings were padded into the 2021 capital expenditures; these were not removed from the capital budget as promised by the Ministry of Finance, Budget and National Planning in its 2021 Annual Budget Circular to all MDAs.

Geographic Positioning System (GPS) Coordinates in the budget

The FBNP in its Annual Budget Circular to all MDAs requested GPS coordinates for all capital projects submitted into the 2021 budget proposals to prevent ghost projects amongst other fraudulent practices.

Assessment - No Compliance 

This was not complied with increasing the risk that recurrent expenditures and outright ghost projects could still be padded into the capital budget. The 2021 approved budget was passed by the National Assembly without GPS coordinates for capital projects.

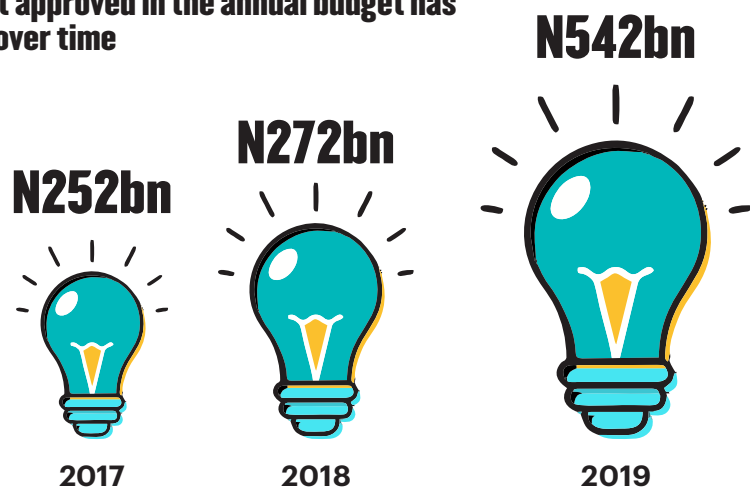
In the main, the implication of a compliance gap with extant laws, guidelines and promises means that the cohesiveness, strategic value and credibility of the Budget still have many miles to go.

Electricity Subsidy, Bailout Transparency and Inclusion in Annual Budget

All government expenditures need to be approved by the national assembly, however, it would seem that the executive arm of government repeatedly makes expenditures outside what is approved in the federal budget. As an example the government has made payments for electricity subsidies in 2017, 2018 and 2019 to electricity companies even though they were not included in the budget in those years.

The government has also not included in the past, transfers to state governments covering Paris Club Refund, Budget Support Facility for states and on-lending to states which stood at N1.20 trillion in 2019 alone.

Federal government expenditure on electricity subsidy not approved in the annual budget has increased over time





Revenue Analysis

5 Revenue Mix

The largest component of federal government's N7.99 trillion 2021 revenue is the government's share of Oil Revenue which is estimated to bring in N2.01trillion or 25.18% all projected revenue. Share of non-oil revenue will bring in N1.48trillion while Independent revenue is projected to rake in

N1.06trillion. Net revenue from Government Owned Enterprises (GOEs) is expected to contribute N1.35trillion to the revenue pool, a significant increase from what was recorded in 2020. See breakdown below.

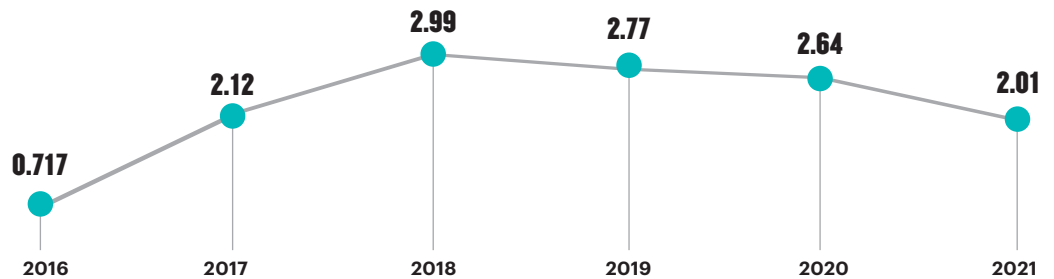
Breakdown of Federal Government 2021 Revenue Projections

Share of Oil Revenue	2.01tn
Share of Non-Oil	1.48tn
Net Revenue from GOEs	1.35tn
Independent Revenue	1.06tn
Signature Bonus / Renewals / Early Renewals	677.02bn
Stamp Duty	500bn
Grants and Donor Funding	354.8bn
Transfers from Special Levies Accounts	300bn
Share of Dividend (NLNG)	208.5bn
Domestic Recoveries + Assets + Fines	32.7bn
Share of Minerals & Mining	2.65bn
Transfers from Special Accounts	0bn

OIL REVENUE

Nigeria is projecting to earn N2.01 trillion as its share of oil revenue accounting for 25.2% of the total 2021 N7.99trillion revenue mix. Year-on-Year, Nigeria's revenue share of oil revenue is expected to increase by 98.37% from N1.01trillion in 2020.

Budgeted Oil Revenue (NGN, trillion)

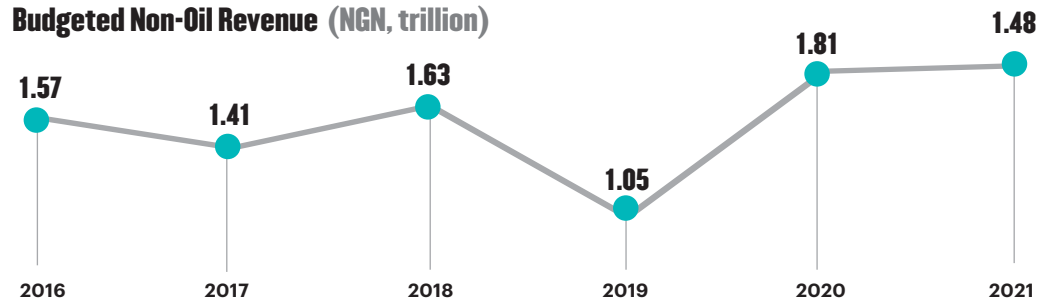


Source: Budget Office

NON- OIL REVENUE

FG's share of non-oil revenue is projected to dip by -8.37% from N1.62 trillion in 2020 to N1.48 trillion in 2021. Nevertheless, it still makes up 18.64% of the total N7.99trillion revenue.

Budgeted Non-Oil Revenue (NGN, trillion)

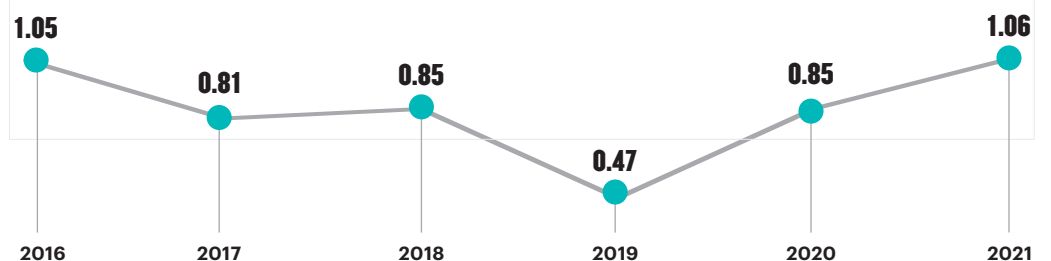


Source: Budget Office

INDEPENDENT REVENUE

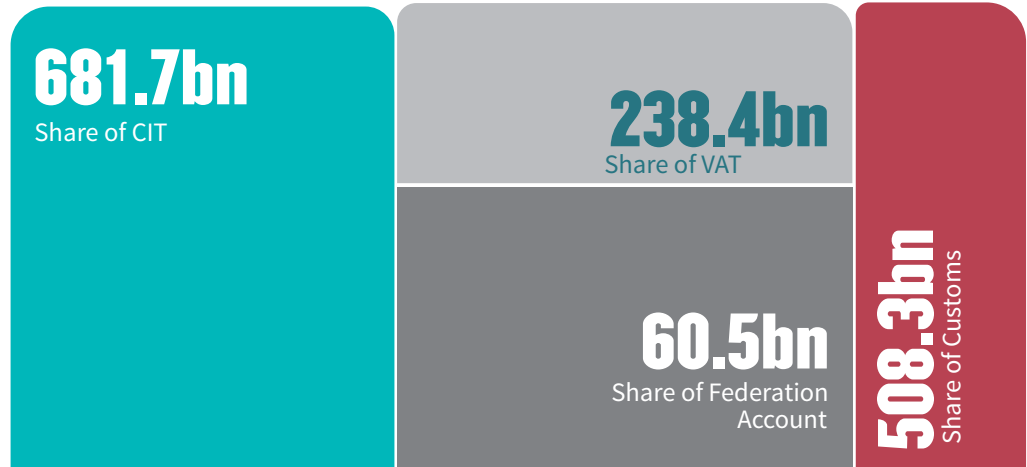
This is expected to contribute N1.06trillion accounting for 13.83% of the total N7.99 trillion projected revenue. Fiscal Responsibility Act requires 80% of the Operating Surplus from Government Owned Enterprises (GOEs) to be paid to the government and this is typically captured under Independent Revenue. This is distinct from what the budget categorizes as "Net Revenue from GOEs".

Budgeted Independent Revenue (NGN trillion)

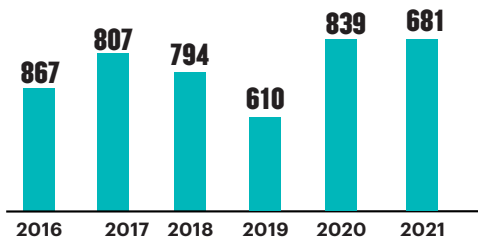


Source: Budget Office

Breakdown of FG N1.48tr Share of Non Oil Revenue (FG Budget, NGN)



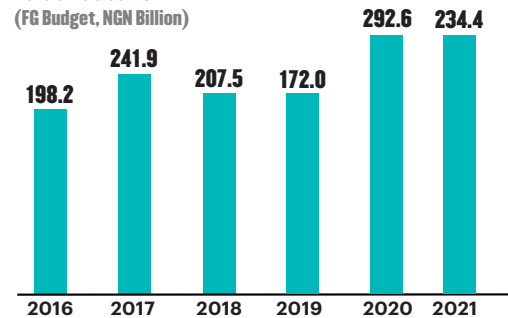
Company Income Tax (FG Budget, NGN Billion)



Company Income Tax, CIT

Of all the components of the non-oil revenue mix, CIT is projected to suffer the biggest dip of -17.03% amongst all components of the non-oil revenue, dropping from N821bn in 2020 to N681bn in 2021. Nevertheless, this still accounts for 45.79% of the total N1.48trillion non-oil revenue.

Value Added Tax (FG Budget, NGN Billion)

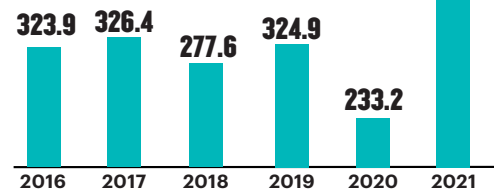


Value Added Tax, VAT

Value Added Tax faces the second strongest downward pressure as Nigeria slowly consolidates its exit from recession; VAT is projected to dip by 16.08% from N284bn in 2020 to N234.42bn in the 2021 budget. At the VAT rate of 7.5%, it is not expected to rise to 2020 levels in the next 3 years as the Medium Term Fiscal Framework, MTFF projects revenue from VAT to reach N253.99bn in 2022 and N263.07bn in 2023.

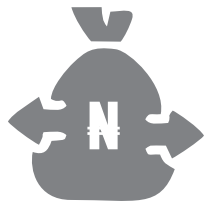
Customs Duties

Custom Duties (FG Budget, NGN Billion)



Source: Budget Office of the Federation

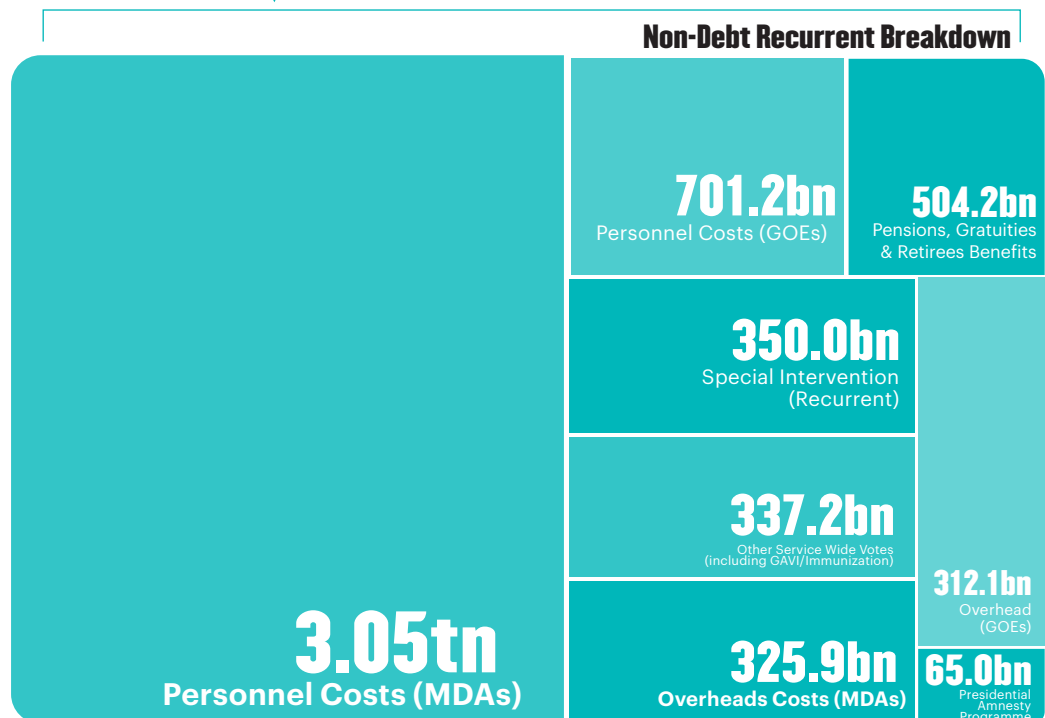
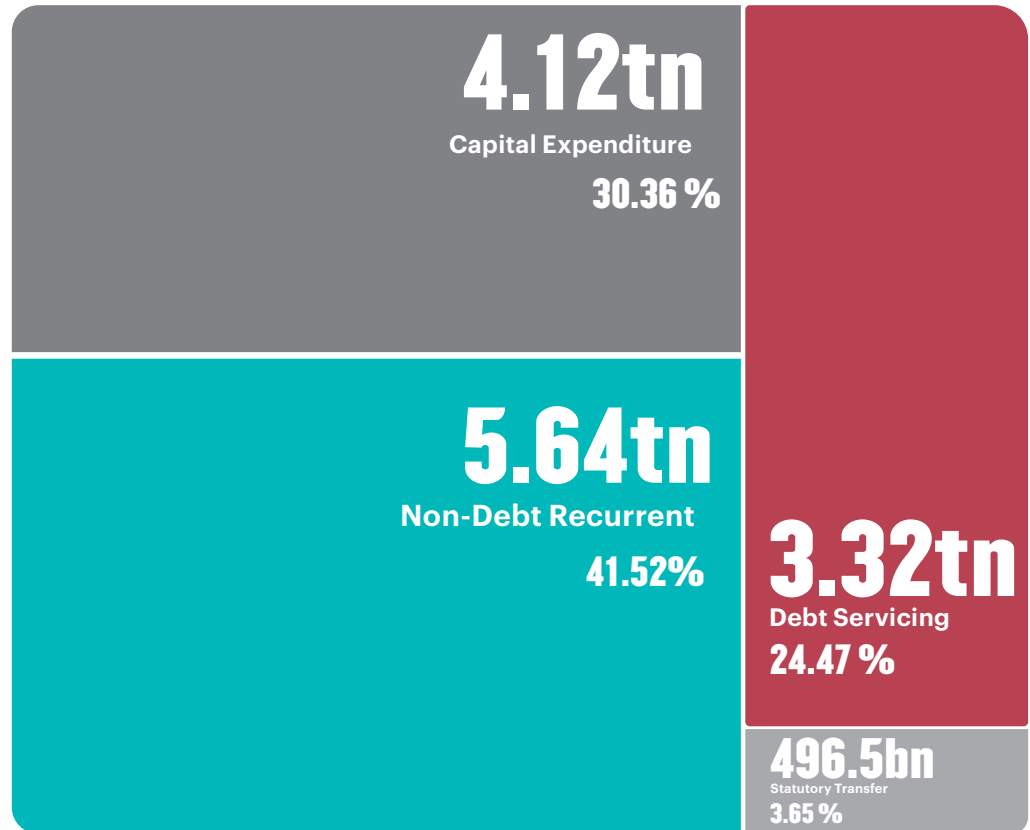
Year-on-Year, revenue from Customs is the only component of non-oil revenue projected to show positive growth, rising by +12.77% from N450.69bn in 2020 to N508bn in 2021.

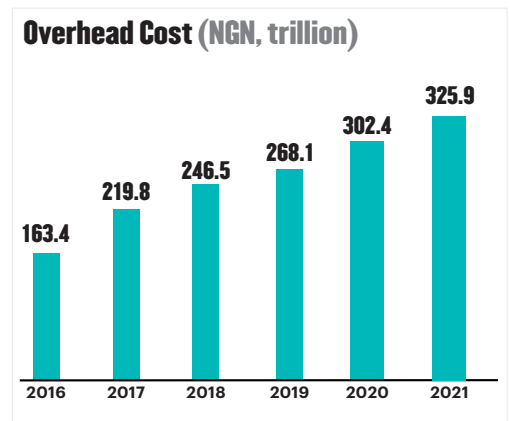
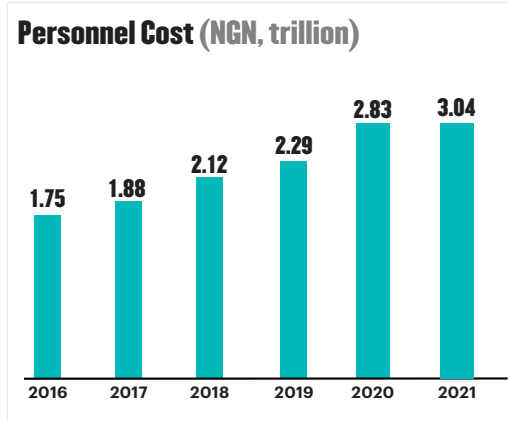


Expenditure Profile

The federal government would be spending N13.59trillion in 2021, a 25.72% increase over the N10.81trillion in the 2020 revised budget. 41.52% of this budget will be spent on non-debt recurrent expenditure, 30.36% on capital expenditure, 24.47% on debt servicing and 3.65% on statutory transfers.

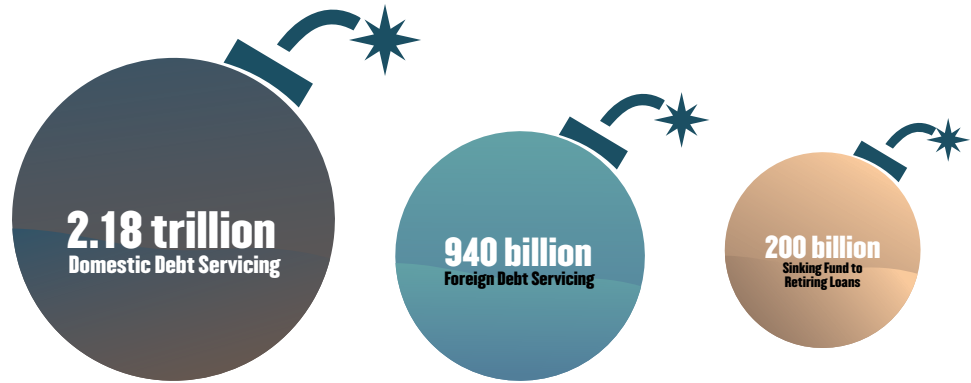
Breakdown of FG N13.59tn Projected Spending in 2021 Budget Amount in Naira





2021 Debt Servicing

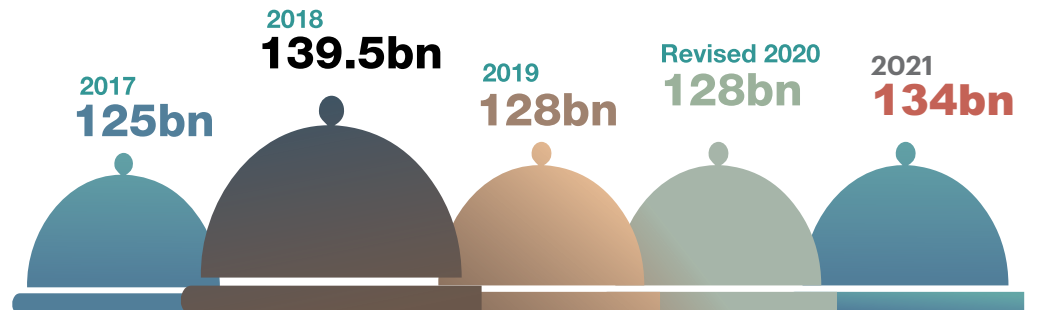
Amount in Naira



NASS Budget

2017 - 2021

Amount in Naira

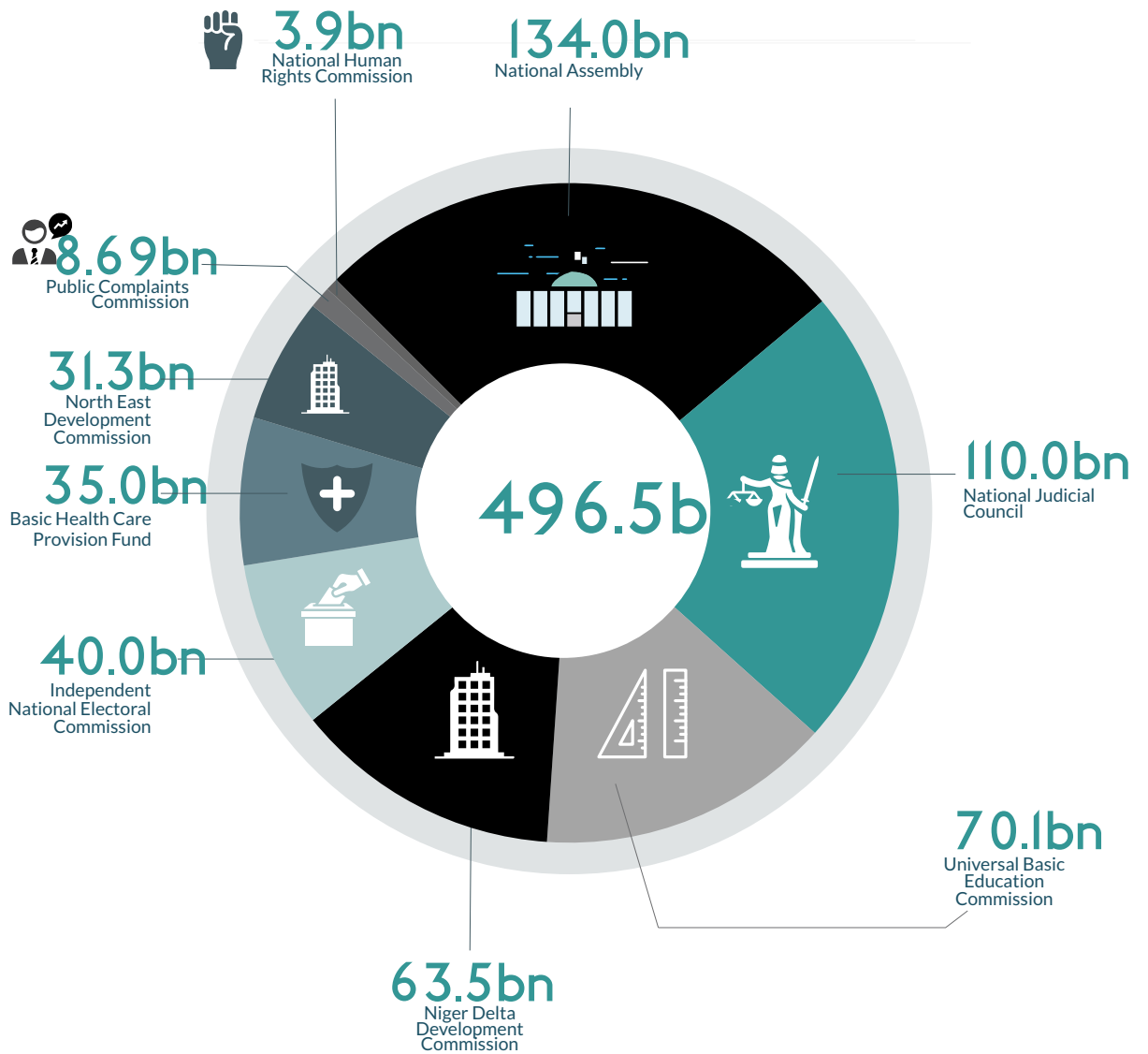


Source: Federal Ministry of Finance & Budget

Total Budget in the last 5 years: **654.5bn**

STATUTORY TRANSFERS

Amount in Naira

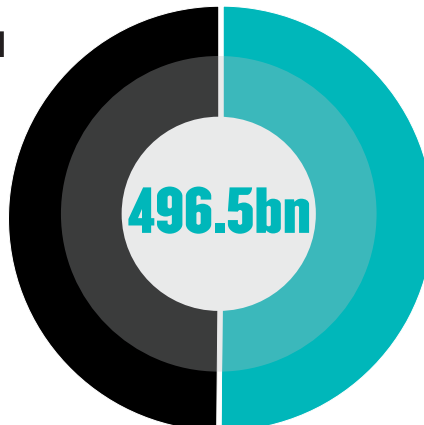


STATUTORY ALLOCATION BY EXPENDITURE TYPE

Amount in Naira

249.0billion

Capital Expenditure in Statutory Transfer⁴¹



247.5billion

Recurrent Expenditure in Statutory Transfer

Selected ITEMS in the 2021 Budget

Amount in Naira



Office Building

63.4bn

was allocated to 188 FG agencies for Construction / Provision of Office Buildings



Health Centres

30.4bn

was allocated to 170 FG agencies for Construction / Provision of Hospitals / Health Centres



International Travel

8.49bn

was allocated to 203 FG agencies for International Travel related to trainings



International Training

3.41bn

was allocated to 67 FG agencies for International Training



Social Investment Programme

365bn

was allocated to 1 FG agency for upscaling of National Social investment programme



Road Construction

121.9bn

was allocated to 91 FG agencies for construction/ provision of roads



Security Votes

24.3bn

was allocated to 117 FG agencies as Security Votes some of which are not security agencies and already have allocations for Security Charges



Monitoring and Evaluation

17.1bn

was allocated to 113 FG agencies for Monitoring and Evaluation



Motor Vehicles

16.6bn

was allocated to 162 FG agencies for purchase of motor vehicles

Capital Expenditure Breakdown

Amount in Naira



MDAs' Capital Expenditure

1.80tn



Capital Supplementation

745bn



Projects funded by
Multi-lateral and
Bi-lateral loans

710bn



Grants and
Aid-funded projects

355bn



60 Government
Owned Enterprises

336bn



Capital component of
Statutory Transfers

247bn



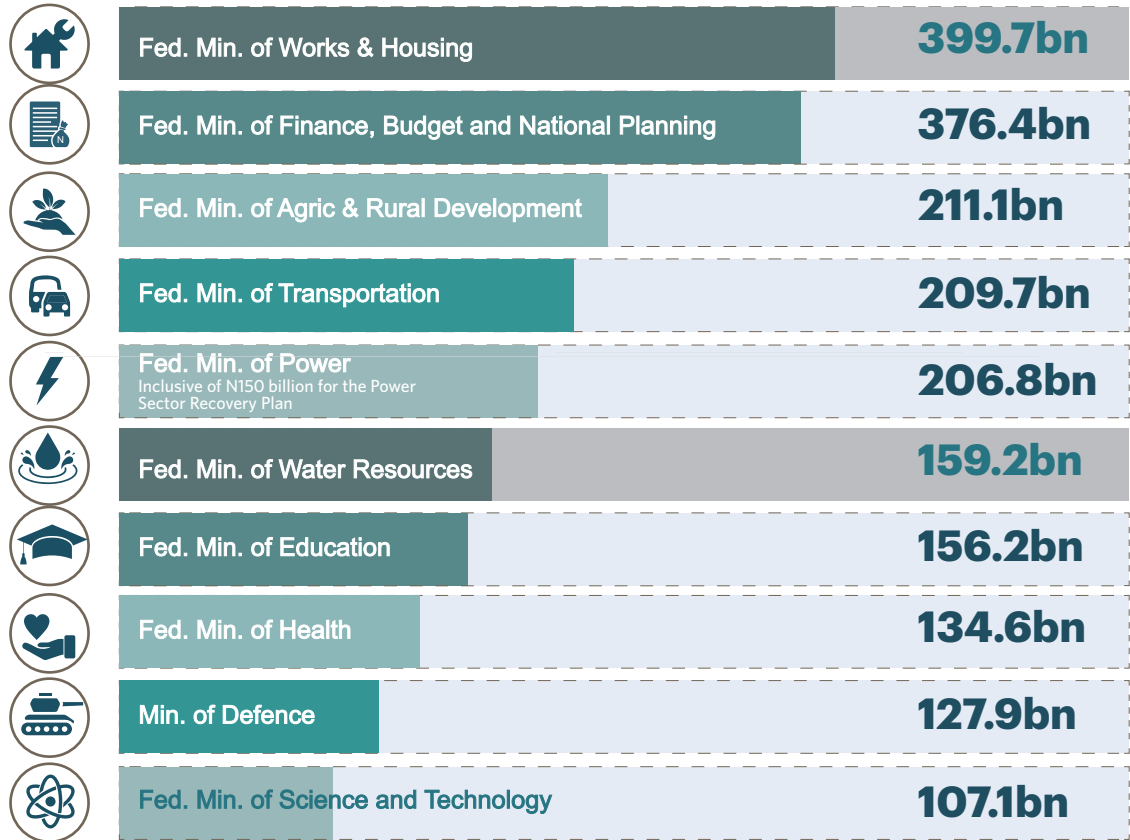
25bn
Nigeria Youth
Investment
Fund



20bn
Family Homes
Fund

Top 10 MDAs capital expenditure

Amount in Naira



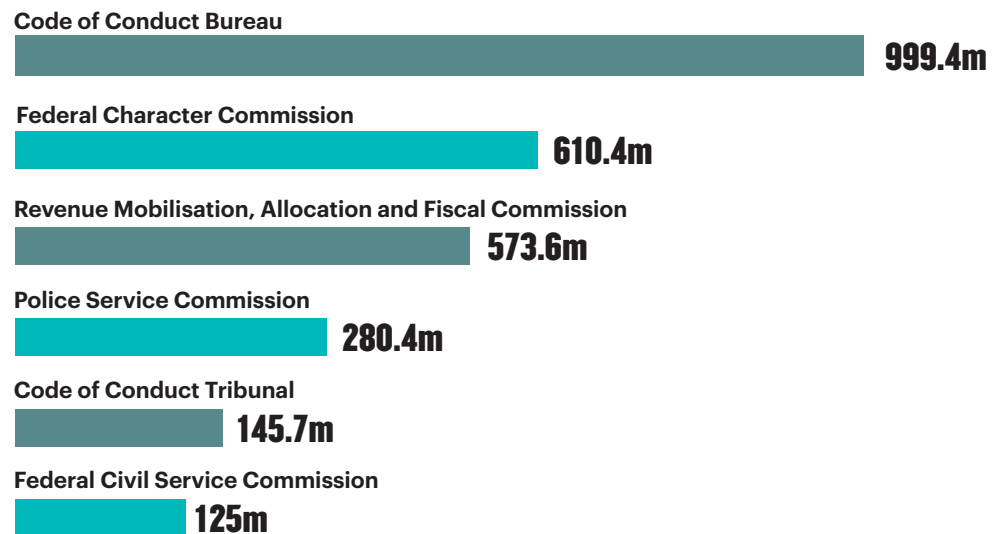
Source: Budget Office of the Federation

*Figure for Ministry of Education does not include allocation from UBEC

*Figure for Ministry of Health does not include allocations from BHCPF, GAVI/Immunisation and Counterpart funding

Capital Expenditure - Federal Executive Bodies

Amount in Naira



Source: Budget Office of the Federation

Top 10 Capital Supplementation*Amount in Naira*

Upscaling Of National Social Investment Programme - Nsip	365.0bn
Grants And Donor Funded Projects	354.8bn
Zonal Intervention Projects	100.0bn
OSSAP - SDGS: SDG Projects 1	40.0bn
Payment of Local Contractors' Debts/other Liabilities	32.0bn
Nigeria Youth Investment Fund	25.0bn
OSSAP - SDGS: SDG Projects 4	20.0bn
Refund For The Acquisition Of Yola Disco	16.7bn
Subscription to Shares in International Organisations	15.0bn
Refund of Borrowed Funds from the Education Tax Pool (TETFUND)	12.9bn



Sectoral Analysis



1 Education

In Naira terms, the government made an increase of 56.34% in its Budgetary Allocation to the Federal Ministry of Education from N493.4bn in 2014 to N771.4bn in 2021.

This amount still doesn't meet the target of 15 - 20% of total allocation in 2021 suggested by UNESCO -- even when funds from UBEC under statutory transfers are added, however, there are notable investments the government is making towards reducing the number of out-of-school children in the country this year.

Commendable provisions for out-of-school children

The 2021 Annual Budget provides for 'Enrolment of Out-of-School children in the country' for N80m. The World Bank co-funded 'Better Education Service Delivery for All' (BESDA), has an allocation of N37.9bn in the budget and is directed towards: "Increasing equitable access for out-of-school children, improving literacy, and strengthening accountability for results.

All three Results Areas for the BESDA intervention relate to basic education and the children of basic education age (5 to 15 year-olds since basic education includes pre-primary education).

While the project will invest across all states and the federal capital territory, special emphasis will be on states with the greatest number of out-of-school children especially in the North West and North East.

As a result of the BESDA intervention, the number of out-of-school children reduced by 924,590 between 2015 and 2020⁴³ out of which 633,772 are girls and 290,818 are boys between. 1,404,757 out-of-school children are currently enrolled in 23,011 non-formal basic education centers supported by BESDA. The 2021 federal budget for BESDA is a welcome relief that will help consolidate the wins of the program in the past years. BESDA intervention was rated by the World Bank as moderately satisfactory in 2020.

Out-of-School children reduced by **924,590** between 2015 and 2020.

290,818
Female
633,772
Male



1.4m
out-of-school children

are currently enrolled in **23,011** non-formal basic education centers supported by BESDA

Provision for out-of-school children in 2021

Budget Code	Status	MDA	Project	Amount
ERGP30154954	NEW	NOMADIC EDUCATION COMMISSION	ADVOCACY SENSITIZATION AND MOBILIZATION ON OUT-OF-SCHOOL CHILDREN IN THE NORTHEAST GEO-POLITICAL ZONE	20.6m
ERGP30151803	NEW	FEDERAL MINISTRY OF EDUCATION - HQTRS	ENROLMENT OF OUT-OF-SCHOOL CHILDREN IN THE COUNTRY	80m
ERGP24150184	NEW	FEDERAL MINISTRY OF EDUCATION - HQTRS	NATIONAL CAMPAIGN ON OUT-OF-SCHOOL CHILDREN	40m
ERGP24161107	NEW	FEDERAL MINISTRY OF EDUCATION - HQTRS	BETTER EDUCATION SERVICE DELIVERY FOR ALL (BESDA) (MULTILATERAL BILATERAL FUNDED LOAN)	37.9bn

COVID-19, Online schooling and facilitating schools to meet International Standards:

Part of the objective of the Economic Sustainability Plan (NESP) upon which the 2021 budget is built is to: “Minimise disruption to learning at all levels of education” and its guiding principle is to “Utilise practical measures to ensure that learning continues during the 2019/2020 and 2020/2021 school years”.

Expectedly, this has been provided for, in the 2021 Annual Budget, under headings such as:

“E-learning/Capacity training programmes for teachers of Federal Unity Colleges in the use of ICT in education pedagogies (Covid-19 aftermath) and professional training for ICT staff/administrators at Federal Ministry of Education headquarters (*ICT education innovation)” and “Content development and hosting of E-learning/Distance education for Primary, Secondary and Tertiary education sector (One Education Cloud-E Content)”, among others.

Comparison with other years and

comparison with other countries: Nigeria appears to be doing better than one of its demographic and country income counterparts; though not as well as the other. Pakistan allocated 1.14% of its budget to education, Bangladesh ther hand,

allocated 11.34% of its budget (FY 2020-2021) to education.

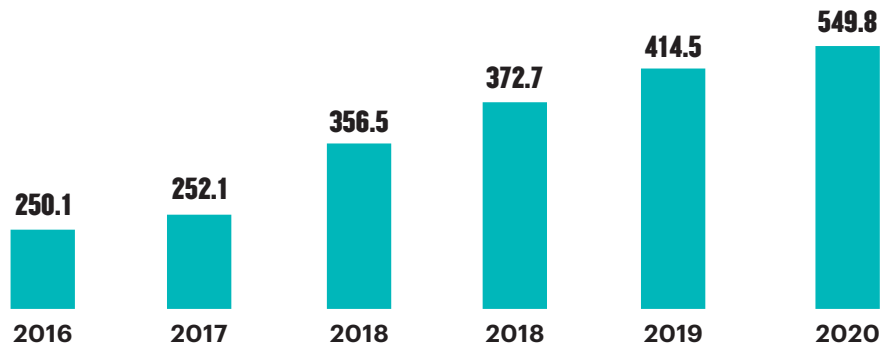
Nigeria allocated 8.57% of its budget to the education sector (this includes the entire Ministry, the UBEC budget and the transfers to the TETFund). While this does place Nigeria above the median of these countries, the amount; N1.164trn⁴⁴ is still 6.5% - 7% less than the recommendation suggested by the UNESCO “Education for All 2000-2015: Achievements and Challenges”. Even more concerning is that the investment in education could be lower considering the prevailing global inflation rate and weaker naira.

2 Health

85.67% increase in allocation to the

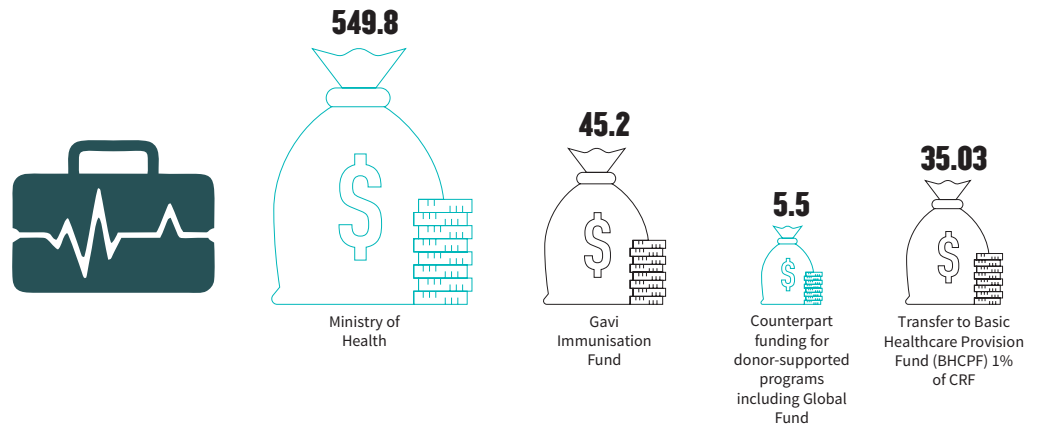
Federal Ministry of Health: 2021 saw a jump in health allocation, as COVID-19 crystallised the importance of health security. In US dollar terms, allocation to the Federal Ministry of Health increased by 85.67% from \$0.82bn (N250.6bn) in 2016 to \$1.53bn (N549.80bn). The Ministry received N250.06bn in 2016, N252.85bn in 2017, N356.45bn in 2018, N372.70bn in 2019, N414.45bn in 2020 and N514.80bn in 2021. The chart below shows the N100bn naira increase between 2020 and 2021.

Budgetary Allocation to Federal Ministry of Health (NGN, Billions)



The Health sector has been in the spotlight for many nations worldwide. For many countries, the Covid-19 pandemic not only exposed the dangers of ill-preparedness, it also highlighted the crucial and indispensable nature of collaboration between nations (regarding vaccines and their distribution). Nigeria allocated N600.52bn to the health sector in 2021.

Budgetary Allocation to Health Sector (NGN, Billions)



Commendable improvement in allocations for Epidemic preparedness allocation:

Allocations to the Nigeria Center for Disease Control, NCDC saw a significant improvement in allocations for personnel and capital expenditures. Overall, N2.93bn was allocated to NCDC, a 75.32% increase from the N1.67bn allocated in 2020.

NCDC Allocation

Amount in Naira

FY 2020		FY 2021		% Increase
PERSONNEL COST	849.7m	PERSONNEL COST	1.55bn	82.01% ↑
OVERHEAD	93.7m	OVERHEAD	93.7m	0.00%
CAPITAL ALLOCATION	730m	CAPITAL ALLOCATION	1.29bn	77.21% ↑
TOTAL ALLOCATION	1.67bn	TOTAL ALLOCATION	2.93bn	75.32% ↑

Weak Government Commitment towards Universal Healthcare

With 28,276 Primary Healthcare Centers⁴⁵ across Nigeria, FG allocated only N35bn Basic Health Care Provision Fund, 45% of which is meant to support provision of essential drugs, equipment and health personnel across all PHCs. According to Results for Development, R4D,⁴⁶ “the highest contributors to morbidity and mortality particularly amongst the most vulnerable groups are health conditions that are either preventable or can be effectively managed at the primary health care (PHC) level”. Although, the 36 states are meant to provide complementary funding for the PHCs, the FG

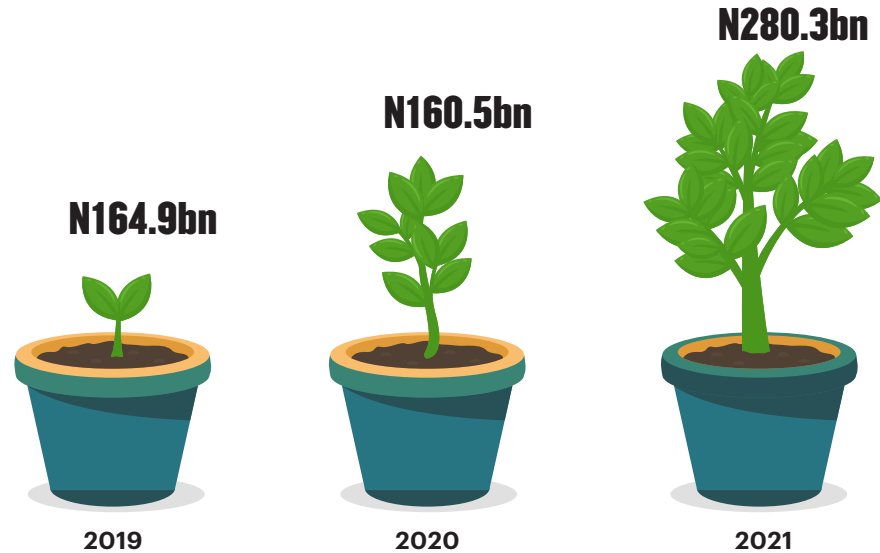
component is still too little considering the challenge at hand.

3 Agriculture

Total allocation for the Ministry of Agriculture and Rural Development, is N69.24bn (Recurrent) and N211.08bn (Capital) making a grand total of N280.3bn (this includes the budget for the National Agricultural Lands Development Agency [NALDA]-an agency transferred to the office of the Presidency, at N11.57bn).

Ministry of Agriculture Budget

Amount in Naira



Related to agriculture (though from the Ministry of Water Resources and included in the calculations above) and directly affecting it, is the budget for the "Transforming Irrigation Management in Nigeria (TRIMING) Project". This project, given a 2021 Annual budgetary allocation of N160m (which commenced in 2014 and is to end in 2022), has one of its policy drives, concerned with increasing Agricultural productivity.

This is a crucial project, as adequate irrigation-critical to agriculture and its sustainability is an indispensable requirement. The 2021 allocation is a phenomenal increase from the total allocation to the sector in 2020 (again, including only the Ministry of Agriculture, NALDA and the Transforming Irrigation Management in Nigeria (TRIMING) Project sum), which stood at N56.09m and that of 2019, which was pegged at N271.54m. The 2021 allocations (and their respective line

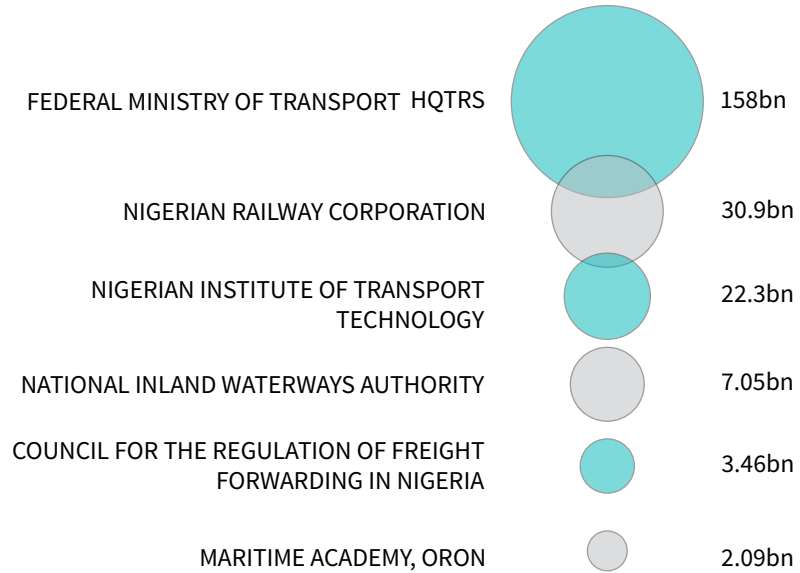
items) certainly key into the campaign of the President, to ensure that Nigeria produces what it eats-a call to guarantee food security. However, growing security issues may make this policy very difficult to sustain.

4 Transportation & Works

The Ministry of Transportation which is pivotal to providing infrastructure that facilitates the movement of goods and people got N209.73bn for its capital expenditures accounting for 93.65% of its total N223.96bn, in the 2021 Annual Budget. Majority of the capital expenditure is centralized in the Ministry of Transportation. Apart from the Ministry Headquarters, the Ministry's highest allocations were to the Nigerian Railway Corporation (NRC), at N30.99bn and the National Institute for Transport Technology (NITT), at N22.29bn.

Allocation to Transportation Sector

Amount in Naira



Allocations to the Nigerian Railway Corporation (NRC) decreased from N34.9bn in 2019 to N30.99bn in 2021. While allocations to National Institute for Transport Technology (NITT) increased from N12bn to N22.29bn. The allocations to railway construction speaks to this administration's goal of decongesting the Lagos Ports, through the conveyance of goods by rail to provide a more efficient alternative movement of goods by road.



FERMA: The amount allocated to the Federal Road Maintenance Agency, in the 2021 Annual Budget, stood at N63.076bn. FERMA had the second highest allocation, in the Ministry of Works and Housing and was second only to the Ministry of Works and Housing (Headquarters). This is in line with federal road maintenance and repair; a visible policy of the current administration's attention given to infrastructure.

Ministry of Works- HQ: The Ministry of Works and Housing Headquarters, was allocated the sum of N358.71bn. This consists of a Capital budget of N347.67bn and a Recurrent budget of N11.04bn. The lion's share of the budget, going to Capital expenditure, is understandable and focus will understandably be on the actualization of the projects already undertaken and those to commence.

Building Research Institute: The Nigerian Building Research Institute, the nation's agency dedicated to building and road materials research, was allocated a hefty N49.09bn in the 2021 Annual Budget. Interestingly, this agency, focusing on research, development and project execution, has a Capital budget of N47.94bn and a Recurrent budget (Personnel and Overhead) of N1.15bn. It is possible that this allocation would be

directed towards augmenting the infrastructure drive of the administration, as expected.

5 Security

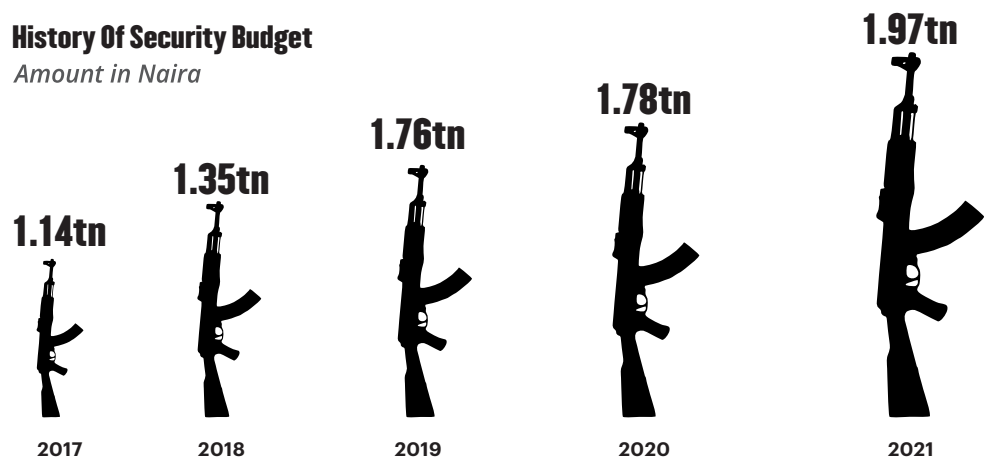
The security sector was allocated N1.97tn naira in the 2021 Annual Budget,⁴⁷ up from N1.78tn in the 2020 Annual Budget to combat insecurity as farmer-herdsmen clashes, kidnapping, insurgency and robberies soar.

2020 closed with one of the most gruesome and deadly attacks by Boko Haram in Nigeria. Over 70 farmers were decapitated by the terrorist group, as they proceeded to their farms. Unfortunately, 2021 has been incredibly horrifying, with several attacks, kidnappings, raids, shootings, terrorism, clashes and killings occurring in just one day (26th April, 2021).

The Ministry of Defence's total budgetary allocation is N966.4bn, with a personnel budget of N772.3bn. This is markedly more than the total amount in the 2020 Annual Budget, which was at N899.9bn and a total personnel budget of N718.8bn.

The Ministry of Police Affairs' total budgetary allocation for 2021 is N455.1bn with a personnel budget of N405.6bn. These

History Of Security Budget
Amount in Naira



figures exceed that of the 2020 Annual Budget, with the total budget for the Police Ministry at N409.3bn and a personnel budget at N373.9bn. Meanwhile, the Ministry of Interior's total budgetary allocation is N271.6bn, with a personnel budget of N200.8bn. The amounts for 2020, were, expectedly less with a total budget for the Ministry of Interior at N245.8bn and a personnel budget of N193.3bn.

The general situation, however, is dire as ethnic and religious militias, Boko Haram, Farmer/Herdsman Clashes, Kidnapping and Banditry are all features of Nigeria's current increasingly high-risk environment.

The Office of the National Security Advisor:

The Office of the National Security Advisor—the centre of attention in the past administration—is critical, perhaps now more than ever. Total allocation to the Office of the National Security Advisor, in the 2021 Annual Budget is N179.7bn, which represents an increase of N38.2bn, from the 2020 Annual Budget.

Improvement in the Social Welfare of

Security Personnel: Several officers of the Nigerian Police Force embarked on an unofficial 'strike' in October of 2020, evidenced by their absence from major cities in Nigeria. The action followed the rampage of subversive elements (hoodlums who took advantage of tension as a result of the #EndSARS protests) that looted public places and destroyed millions of naira in property. News reports claimed that this police absence was a 'protest' by the Police against poor working conditions and targeted violence towards them by the hoodlums, following the #EndSARS. With a fairly noticeable increase in the personnel budget of the Ministry of Police Affairs (the 2021 personnel budget of N405.6bn, against the 2020 personnel budget of N373.9bn

shows a modest increase of N31.6bn), it is hoped that there would also be a noticeable increase in crime prevention and quality of policing.

Potential abuse of N24.3bn “Security Votes”

A total of N24.3bn was allocated to “Security Votes” a nebulous and opaque feature of the Nigerian Security ecosystem. A total of 117 agencies received allocation for “Security Votes” in the 2021 budget, majority of whom are not security agencies and already have provisions for “Security Charges”.

The National Security Adviser was allocated N5.4bn as “Security Votes”, Department of State Security is N1.8bn, the National Intelligence Agency N114.1m, Presidential Air Fleet (State House), N260m and the nationwide Police Formations and Commands collectively take a N1.267bn.

Special Projects:

Service Wide Votes received an allocation of N1.95tn, up from N1.81tn in the 2020 approved budget. This fund, set aside yearly by the Executive government for the federation, is as the name implies, meant for contingencies and unforeseen occurrences. For instance, a shortfall in revenue in November of 2020 had the Executive government consider withdrawal from this account.

However, access to and use of the fund is not subject to any form of legislative oversight, which makes disbursement an exceedingly opaque process. Not only is there no oversight but the Auditor General has no power to audit the accounts in which the Service Wide Votes are housed. This has not gone unnoticed, as legislators in Nigeria's 9th Senate have remonstrated on the less than desirable situation.



Recommendations

Utilize Virement⁴⁸

1

The Ministry of Finance, Budget and National Planning needs to invoke Section 27(2) of the Fiscal Responsibility Act and vire amounts allocated to duplicated projects and padded capital expenditures to either reduce the deficit or towards critical funds like the Basic Healthcare Provision Funds, BHCPF . Failing this, citizens and CSOs can invoke Part XII Section 51 to get the ministry to enforce virement.

Deploy Decision Support Tool to cut government waste

2

There is the urgent need for a technology based decision support tool to help spot critical issues in MDAs budget submissions and decide on only critical projects that should make it into the final capital budget. This is needed at both the Budget office on the executive side for utilization before the budget is sent to the National Assembly and the National Assembly Budget and Research Office (NABRO) before the legislators approve the budget.

Strengthen Interagency collaboration

3

There is need to strengthen interagency collaboration through a permanent quarterly planning dialogue to identify areas where resources can be shared and where costs can be minimized

Introduce consequences for non-compliance

4

Nigeria has solid fiscal responsibility laws and the Ministry of Finance, Budget and National Planning often issues quality guidelines that can reduce fiscal irresponsibility, however gaps exist in the implementation of these laws and guidelines because of the absence of clear consequences and punitive measures to erring individuals within the Ministries, Department and Agencies (MDAs).

Increase Utilization of Public Private Partnerships models

5

As revenue becomes scarce, the federal government needs to increasingly explore project delivery through PPPs. Many of the projects still taking up government funding could be better deployed by leveraging private sector capital through reliable Public Private Partnership models.

Appendix

Top 20 Largest Capital Project in 2021 Budget

MDA/Envelope	Ergplineitems	Amount(NGN)
SERVICE WIDE VOTE	UPSCALING OF NATIONAL SOCIAL INVESTMENT PROGRAMME	365bn
NIGERIAN BULK ELECTRICITY TRADING	POWER REFORM PROGRAMME	131.5bn
FEDERAL MINISTRY OF FINANCE, BUDGET AND NATIONAL PLANNING - HQTRS	DEVELOPMENT BANK OF NIGERIA (MULTILATERAL BILATERAL FUNDED LOAN)	126.3bn
FEDERAL MINISTRY OF FINANCE, BUDGET AND NATIONAL PLANNING - HQTRS	STATES FISCAL TRANSPARENCY ACCOUNTABILITY SUSTAINABILITY (SFTAS) PROJECT (MULTILATERAL BILATERAL FUNDED LOAN)	82.bn
FEDERAL MINISTRY OF TRANSPORT - HQTRS	NIGERIAN RAILWAY MODERNIZATION PROJECT (LAGOS - IBADAN SECTION)	80.8bn
FEDERAL MINISTRY OF TRANSPORT - HQTRS	RAILWAY PROJECTS (COUNTERPART FUNDING): 1. LAGOS-IBADAN-KANO WITH EXTENSION TO APAPA PORT COMPLEX 2. IMPLEMENTATION OF ADDENDUM 2B AND 2C ADDITIONAL AND EXTRA WORKS TO LAGOS - IBADAN SEGMENT OF LAGOS-IBADAN RAIL LINE 3.IBADAN-KANO RAILWAY MODERNIZATION PROJECT 4. COMPLETION OF ABUJA(IDU) - KADUNA RAILWAY LINE 5. INSTALLATION OF ACOUSTAL SENSING KSECURITY SURVEILLANCE SYSTEM FOR ABUJA (IDU) - KAD RAIL 6.COMPLETION OF ITAKPE-AJAOKUTA-WARRI RAIL TRACK AND STRUCTURES 7. REHABILITATION OF IT AKPE-AJAOKUTA RAIL LINE AND PERMANENT WAY (TRACK WORKS) IN AGBOR FACILITY YARDY 8.DESIGN MANUFACTURE SUPPLY AND INSTALLATION OF ROLLING STOCK SUPPLY OF SPARE PARTS AND MAINTENANCE EQUIPMENT FOR THE ONGOING RAIL MODERNIZATION PROJECT 9.SIGNAL AND TELECOMS SYSTEM INSTALLATION ON ITAKPE - AJAOKUTA-WARRI RAIL LINE 10.LAND AQUISITION FORFMT HQ EXPANSION 11.COMPLETION OF FEASIBILITY STUDIES 12.RECONSTRUCTION AND REHABILITATION OF PH-MAIDGRI RAIL LINE DEEP SEA PORT P H INDUSTRIAL PARK AND OTHER RAILWAY PROJECTS	71.1bn
FEDERAL MINISTRY OF WORKS AND HOUSING	UPGRADING AND REHABILITATION OF KEFFI - AKWANGA LAFIA ROAD PROJECT PHASE II	56.7bn
FEDERAL MINISTRY OF POWER -HQTRS	NIGERIA ELECTRIFICATION PROJECT (MULTILATERAL BILATERAL FUNDED LOAN)	45.4bn

FEDERAL MINISTRY OF WATER RESOURCES - HQTRS	TRANSFORMING IRRIGATION IN NIGERIA PROJECT (TRIMING)(MULTILATERAL BILATERAL FUNDED LOAN)	43.3bn
SERVICE WIDE VOTE	SDGs INTERVENTION PROGRAMMES	40.6bn
SERVICE WIDE VOTE	SPECIAL INTERVENTION SDG s 1	40bn
FEDERAL MINISTRY OF POWER -HQTRS	ZUNGERU HYDROELECTRIC POWER PROJECT (MULTILATERAL BILATERAL FUNDED PROJECT	39.6bn
FEDERAL MINISTRY OF POWER -HQTRS	NIGERA ELECTRICITY AND TRANSMISSION ACCESS PROJECT (MULTILATERAL BILATERAL FUNDED LOAN)	39.4bn
FEDERAL MINISTRY OF EDUCATION - HQTRS	BETTER EDUCATION SERVICE DELIVER FOR ALL (BESDA) (MULTILATERAL BILATERAL FUNDED LOAN)	37.9bn
NATIONAL SOCIAL INVESTMENT OFFICE	GEEP LOAN FUNDS (TRADERMONI FARMERMONI MARKETMONI) AND PROGRAMME SET-UP & TECHNOLOGY	26.9bn
FEDERAL MINISTRY OF POWER -HQTRS	ABUJA POWER FEEDING SCHEME (MULTILATERAL BILATERAL FUNDED LOAN)	25.3bn
SERVICE WIDE VOTE	NIGERIA YOUTH DEVELOPMENT FUND	25bn
SERVICE WIDE VOTE	SPECIAL INTERVENTION SDG s 3	20.6bn
SERVICE WIDE VOTE	DEFUNCT PRIVATISED AGENCIES PENSION	20bn

N159.3bn Railway related projects across all agencies in the 2021 budget

Uniquecode	Status	MDA	Erglineitems	Amount(NGN)
ERGP13161143	NEW	FEDERAL MINISTRY OF TRANSPORT - HQTRS	NIGERIAN RAILWAY MODERNIZATION PROJECT (LAGOS - IBADAN SECTION)	80.8bn
ERGP13151701	NEW	FEDERAL MINISTRY OF TRANSPORT - HQTRS	RAILWAY PROJECTS (COUNTERPART FUNDING): (This has 12 different sub-components/projects)	71.1bn
ERGP13160046	NEW	NIGERIAN RAILWAY CORPORATION	DESIGN MANUFACTURE SUPPLY TEST AND COMMISSIONING OF RAILWAY CRANE OF 150 TONS CAPACITY FOR EMERGENCY AND RECOVERY OF ROLLING STOCKS ON STANDARD GAUGE	1.8bn
ERGP13127510	ONGOING	NIGERIAN RAILWAY CORPORATION	REHABILITATION OF RAILWAY TRACK SIDINGS LOOP LINES AND LEVEL CROSSINGS FROM LAGOS TO KANO AND CONSTRUCTION OF NEW BRANCH LINE LINK FROM KM896 OF THE EXISTING NG RAIL LINE TO THE 215 MW POWER PLANT AT KUDENDA KADUNA.	1.5bn
ERGP13128051	ONGOING	FEDERAL CAPITAL TERRITORY ADMINISTRATION	CONSTRUCTION OF ABUJA RAIL MASS TRANSIT LOT 1B	1.4bn
ERGP13128002	ONGOING	FEDERAL CAPITAL TERRITORY ADMINISTRATION	ABUJA RAIL MASS TRANSIT PROJECT LOT 1 & 3	1bn
ERGP13102578	ONGOING	FEDERAL MINISTRY OF TRANSPORT - HQTRS	PROVISION OF ELECTRICAL POWER SUPPLY AND WATER SUPPLY CONSTRUCTION OF PROTECTIVE FENCES ALONG THE CORRIDOR IN ABRAKA ORIA ORUWHORUM FOR ITAKPE-AJAKUTA-ALADJA RAILWAY	595.2m
ERGP27127507	ONGOING	NIGERIAN RAILWAY CORPORATION	REHABILITATION OF STATIONS AND OTHER RAILWAY BUILDINGS	440m
ERGP13155907	NEW	NIGERIAN RAILWAY CORPORATION	REHABILITATION OF RAILWAY TRACK SIDINGS (FUNTUA)	305m
ERGP55400220	NEW	NIGERIAN INSTITUTE OF TRANSPORT TECHNOLOGY	TRAINING OF YOUTH ON RAIL TRANSPORT PLAN AND POLICY DEVELOPMENT IN YALMAN FULANI WARKAI WRA DKD KANO	100m
ERGP12152072	NEW	FEDERAL ROAD MAINTENANCE AGENCY	EMERGENCY MAINTENANCE AND REPAIR OF THE EXPANSION JOINTS AND HAND RAIL ALONG ABUJA-KEFFI ROAD IN FCT	50m
ERGP30150391	NEW	FEDERAL MINISTRY OF TRANSPORT - HQTRS	ACQUISITION OF TEST EQUIPMENT TOOLS AND MATERIALS FOR QUALITY CONTROL ON RAIL AND MARINE INFRASTRUCTURE PROJECTS	28.5m

ERGP13151720	NEW	FEDERAL MINISTRY OF TRANSPORT - HQTRS	RAILWAY INFRASTRUCTURE CAPACITY BUILDING IN DESIGN CONSTRUCTION AND OPERATION	28.5m
ERGP3138646	ONGOING	FEDERAL MINISTRY OF TRANSPORT - HQTRS	RAIL MODERNISATION PROJECT INSPECTION AND OTHER RELATED ACTIVITIES BY THE PROJECT FINANCIAL MANAGEMENT TEAM	28.5m
ERGP13134334	ONGOING	FEDERAL MINISTRY OF TRANSPORT - HQTRS	ENGINEERING RESEARCH AND DEVELOPMENT OF RAIL AND MARINE INFRASTRUCTURE	19m
ERGP15138335	ONGOING	FEDERAL MINISTRY OF TRANSPORT - HQTRS	ENGINEERING QUALITY CONTROL INSPECTION OF COMPLIANCE WITH ENGINEERING STANDARD OF RAIL MARINE AND INFRASTRUCTURE PROJECTS	14.2m
Total				159.3bn

Endnotes

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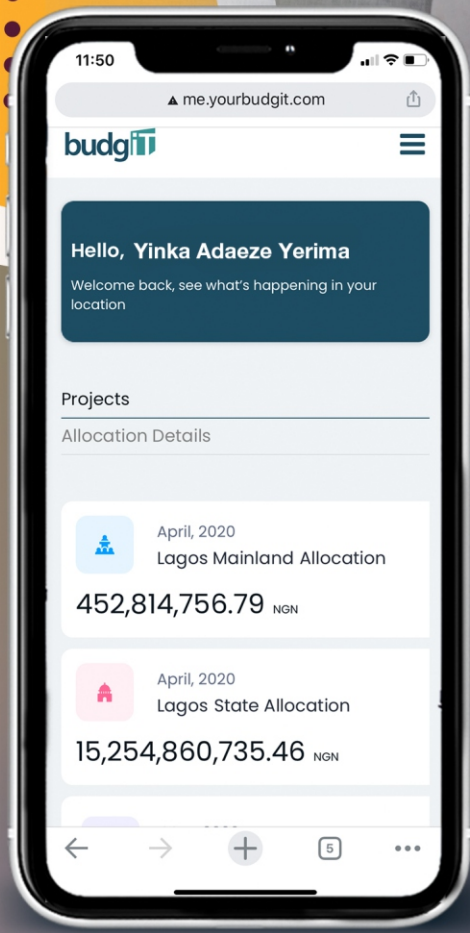
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