Improving Budget Credibility for Access to Agricultural Inputs and Services in Nigeria

Abridged Version - Federal Government
Summary of Key Findings

1. Tackling budget credibility on the expenditure spectrum for focus sectors like agriculture in Nigeria depends on understanding where the biggest budget deviation is happening for each sector. The set of solutions needed to tackle budget credibility as a result of deviations between the actual cash released for expenditure and the budget for expenditure for that fiscal year is different from the set of solutions needed to address deviations between the actual cash utilised for expenditure and the actual cash released for expenditure.

2. Nigeria and the two focus states, Anambra and Oyo, failed to meet the 10 percent budgetary provision threshold for agriculture agreed upon in Maputo in 2003. While the federal government and Anambra allocated less than 3 percent of its total budget yearly to agriculture between 2017 and 2021, Oyo’s highest budgetary provision for agriculture within the same time frame was 3.6 percent of its total budget.

3. Despite the fact that agriculture is the largest sector contributor to the GDP of Nigeria, Anambra, and Oyo State, the allocations and budgetary provisions for the procurement of agricultural inputs by Anambra, Oyo State and the federal government between 2017 and 2021 were negligible.

4. Concerning expenditures across focus sectors, it is observed that amongst other drivers of weak budget credibility, there exist procedural, regulatory, and contextual political bottlenecks that contribute to weak budget credibility in Oyo and Anambra states and also at the federal level. These bottlenecks contribute to budget deviations observed in the allocations to the agriculture sector. Per this report’s recommendations, they need to be addressed on a case-by-case basis.
Methods

This research examines budget credibility trends in agriculture inputs and services over time. It intends to discover the key drivers of budget credibility trends observed in Anambra, Oyo State, and at the federal government level. It employs a mixed-method approach with the following:

**Quantitative Analysis:** Data was mined from budget documents of Anambra, Oyo, and the federal government for trend analysis on budget credibility for 2017-2021 on agriculture inputs and services.

**Qualitative Analysis:** Key Informant Interviews (KIIs) were conducted with selected state and non-state actors. The objective was to generate in-depth information via learning about the drivers and the impact of budget deviations on access to agricultural inputs and services. Also, to ascertain the key drivers of budget credibility trends observed in Anambra and Oyo State.

In addition, primary and secondary data were gathered. The primary component was achieved via KIIs with purposely selected respondents. The secondary data came via desk review on the existing International Budget Partnership (IBP) and other leading literature on budget credibility, research findings on budget credibility issues in International Budget Partnership (Strengthening Public Accountability for Results and Knowledge program) SPARK focus states, annual budgets, and budget implementation reports. Similarly, a review of the Fiscal Responsibility Act and Public Procurement Laws of Anambra and Oyo State was conducted to ascertain if some procedural rules or regulations cause a lag in the system and result in the low utilisation of available government revenues. Data and responses sourced using the above data collection techniques and approaches were triangulated for increased quality and reliability.
Figure 1: Showing Federal Government Allocation to Agriculture

Federal Budget Size
N7441.1bn

Expected Share
N744.1bn
Actual Share
N123.4bn

2017

Federal Budget Size
N9120.3bn

Expected Share
N912.0bn
Actual Share
N203.0bn

2018

Federal Budget Size
N8917.0bn

Expected Share
N891.7bn
Actual Share
N164.9bn

2019

Federal Budget Size
N10810.8bn

Expected Share
N1081.1bn
Actual Share
N160.5bn

2020

Federal Budget Size
N13082.4bn

Expected Share
N1303.2bn
Actual Share
N280.3bn

2021

Deviation
-50.9%
-2.8%
-138.5%
22.5%

Figure 2: Agriculture Federal Capital Budget Credibility - Measuring deviations between cash released and budgeted sums only
Note: Total cash released includes amounts captured under Authority to Incur Expenditure (AIE)

Figure 3: Agriculture Federal Capital Budget Credibility - Comparing the different levels of budget deviation at two points in the budget cycle

Figure 4: Agriculture Federal Capital Budget Credibility - measuring deviations between actual cash released and actual cash utilised only
Figure 5: Agriculture Federal Capital Budget Credibility – Measuring overall deviations between budgeted sums and actual cash utilised
Root cause analysis of budget deviations

1. Revenue leakages
2. Unrealistic revenue projections
3. Procedural, Regulatory, and Contextual Issues
4. Political interference in Public Finance Management mechanisms, overspending by ministries
5. Late cash release
6. Capacity gap for planning, program costing, and funds management

Table 6: Federal Government Revenue Profile (2018-2022)
Federal Government Revenue Trend

Table 1: Bureau of Public Procurement (BPP) Approved Thresholds and Composition of Tenders Board.

<table>
<thead>
<tr>
<th>Approving Authority/ &quot;No Objection&quot; to award</th>
<th>Goods</th>
<th>Works</th>
<th>Non-Consultant Services</th>
<th>Consultant Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>BPP issues &quot;No Objection&quot; to award/FEC approves</td>
<td>100 million naira and above</td>
<td>500 million naira and above</td>
<td>100 million naira and above</td>
<td>100 million naira and above</td>
</tr>
<tr>
<td>Ministerial Tenders Board</td>
<td>5 million naira and above but less than 100 million naira</td>
<td>10 million naira and above but less than 500 million naira</td>
<td>5 million naira and above but less than 100 million naira</td>
<td>5 million naira and above but less than 100 million naira</td>
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<tr>
<td>Parastatal Tenders Board</td>
<td>2.50 million naira and above but less than 50 million naira</td>
<td>5 million naira and above but less than 250 million naira</td>
<td>2.50 million naira and above but less than 50 million naira</td>
<td>2.50 million naira and above but less than 50 million naira</td>
</tr>
<tr>
<td>Accounting Officer: Permanent Secretary</td>
<td>Less than 5 million naira</td>
<td>Less than 10 million naira</td>
<td>Less than 5 million naira</td>
<td>Less than 5 million naira</td>
</tr>
<tr>
<td>Accounting Officer: Director General/CEO</td>
<td>Less than 2.50 million naira</td>
<td>Less than 5 million naira</td>
<td>Less than 2.50 million naira</td>
<td>Less than 2.50 million naira</td>
</tr>
</tbody>
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Effects of budget deviations on service delivery

1. Future spending on service delivery compromised
2. Post-harvest losses, poor farm yields
3. Compromised Food Security
4. Substandard Service Delivery

FG Debt Service vs Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>Debt Service</th>
<th>Revenue</th>
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<tbody>
<tr>
<td>2017</td>
<td>1.82</td>
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<tr>
<td>2018</td>
<td>2.61</td>
<td>3.87</td>
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<td>2019</td>
<td>2.45</td>
<td>4.12</td>
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<tr>
<td>2020</td>
<td>3.34</td>
<td>3.42</td>
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<tr>
<td>2021</td>
<td>4.22</td>
<td>4.64</td>
</tr>
</tbody>
</table>
Recommendations

1. Full Operationalisation of the Treasury Single Account
2. Increase budgetary allocation and disbursement to the agric sector
3. Strengthen PFM Systems
5. Peer Review Mechanism:
6. Proactive Disclosure of Support from Partners