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 imputs 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.

Federal Government

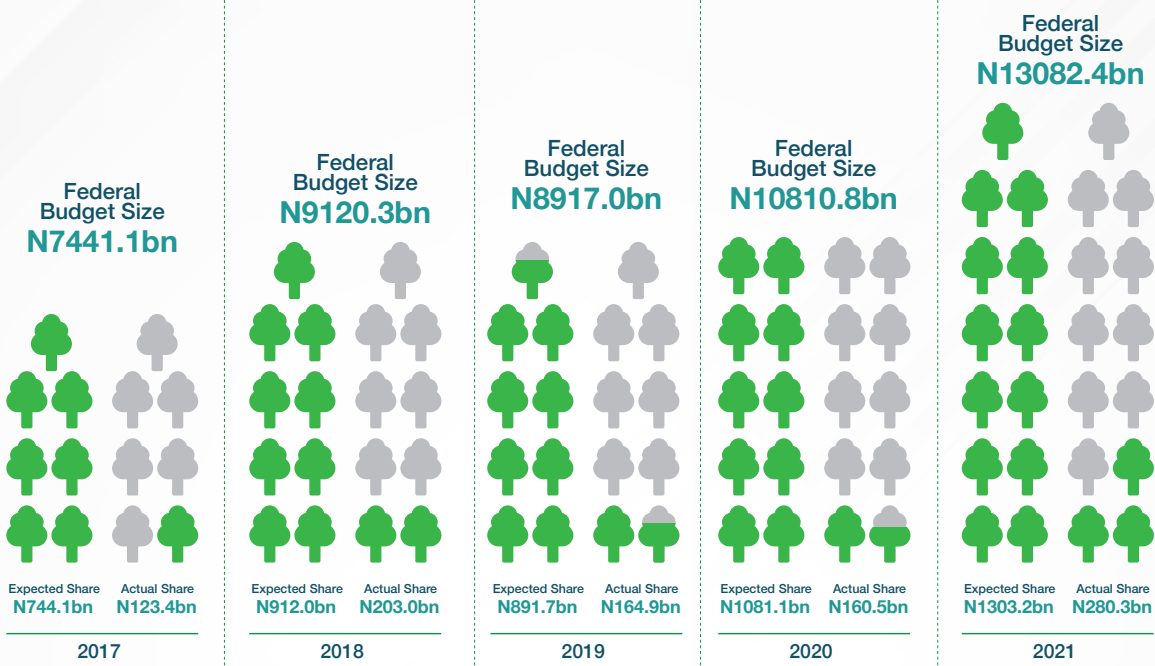**Figure 1:** Showing Federal Government Allocation to Agriculture

Federal Budget Size N7441.1bn (2017)
Expected Share N744.1bn / Actual Share N123.4bn

Federal Budget Size N9120.3bn (2018)
Expected Share N912.0bn / Actual Share N203.0bn

Federal Budget Size N8917.0bn (2019)
Expected Share N891.7bn / Actual Share N164.9bn

Federal Budget Size N10810.8bn (2020)
Expected Share N1081.1bn / Actual Share N160.5bn

Federal Budget Size N13082.4bn (2021)
Expected Share N1303.2bn / Actual Share N280.3bn

Figure 2: Agriculture Federal Capital Budget Credibility - Measuring deviations between cash released and budgeted sums only

Year	Annual Budget (NGN Billion)	Total Cash Released (NGN Billion)	Deviation
2017	103.8	68.8	-50.9%
2018	149.2	145.1	-2.8%
2019	107.2	45.0	-138.5%
2020	102.5	132.3	22.5%
2021	102.5	197.0	48%

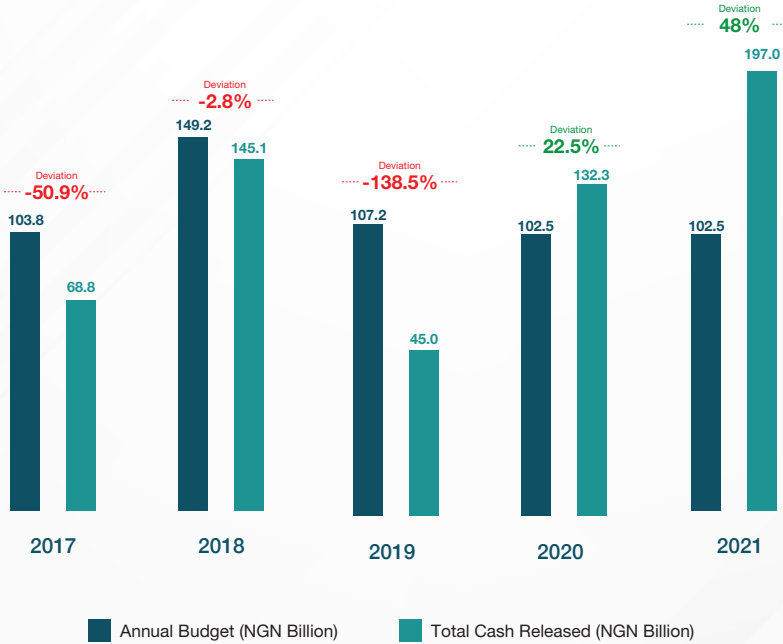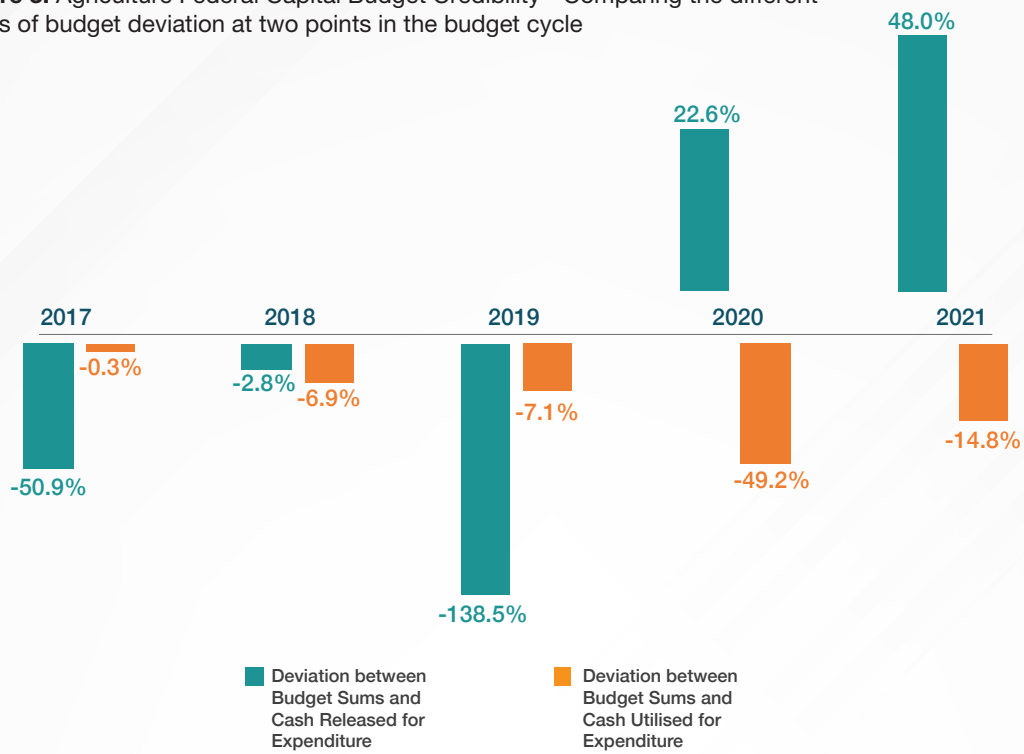Annual Budget (NGN Billion) ▪ Total Cash Released (NGN Billion)

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

Note: Total cash released includes amounts captured under Authority to Incur Expenditure (AIE)

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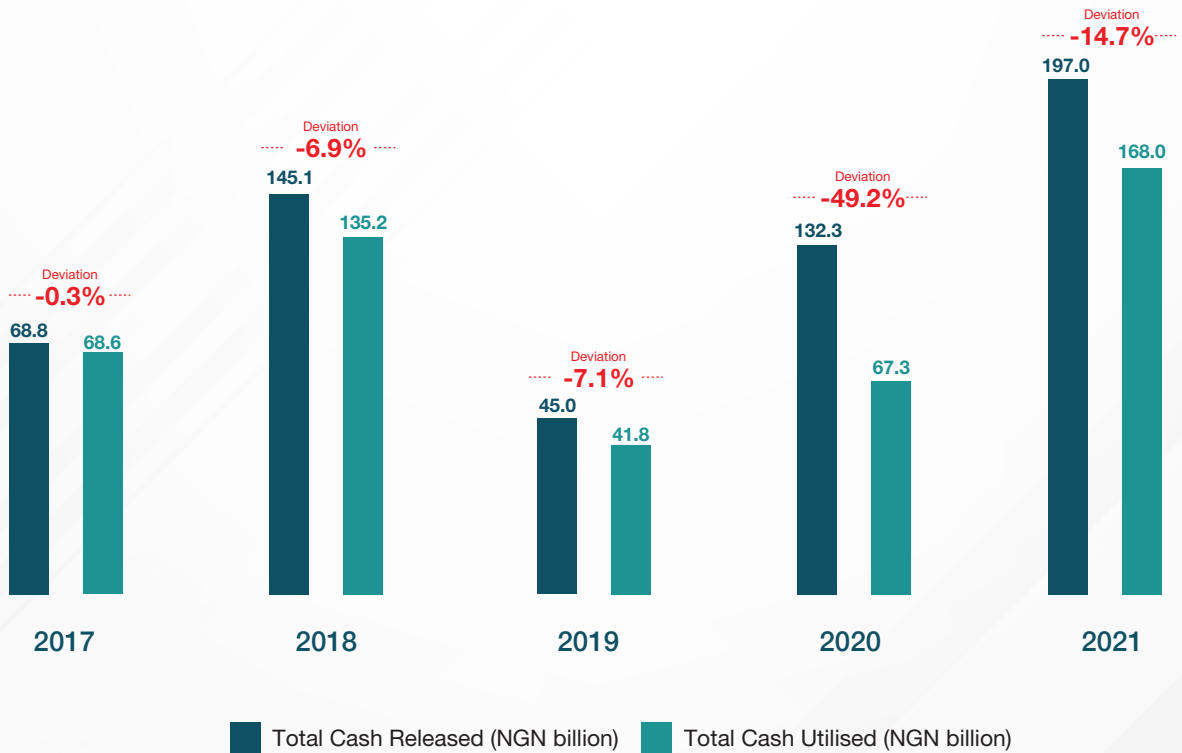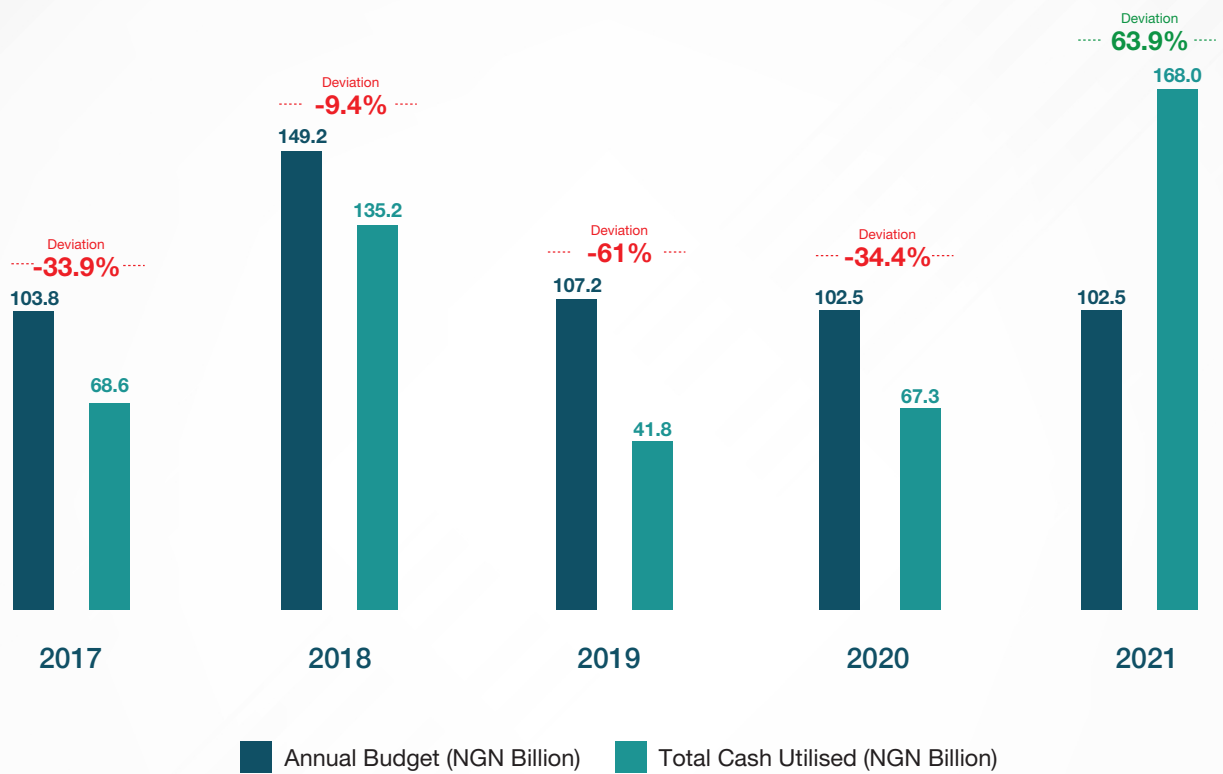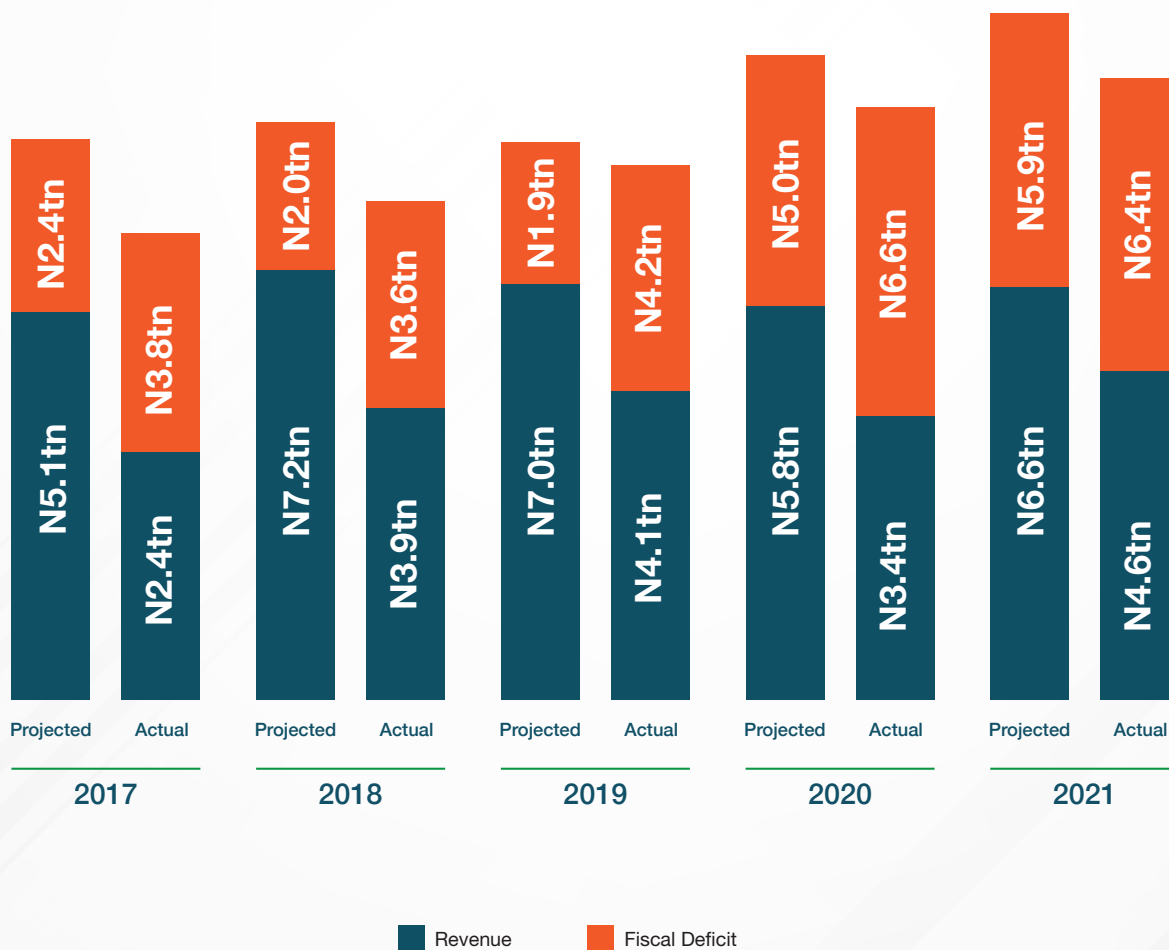
Figure 5: Agriculture Federal Capital Budget Credibility – Measuring overall deviations between budgeted sums and actual cash utilised

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)

	2017	2018	2019	2020	2021
Projected Revenue	N5.1tn	N7.2tn	N7.0tn	N5.8tn	N6.6tn
Projected Fiscal Deficit	N2.4tn	N2.0tn	N1.9tn	N5.0tn	N5.9tn
Actual Revenue	N2.4tn	N3.9tn	N4.1tn	N3.4tn	N4.6tn
Actual Fiscal Deficit	N3.8tn	N3.6tn	N4.2tn	N6.6tn	N6.4tn

Legend: Revenue (dark blue), Fiscal Deficit (orange)

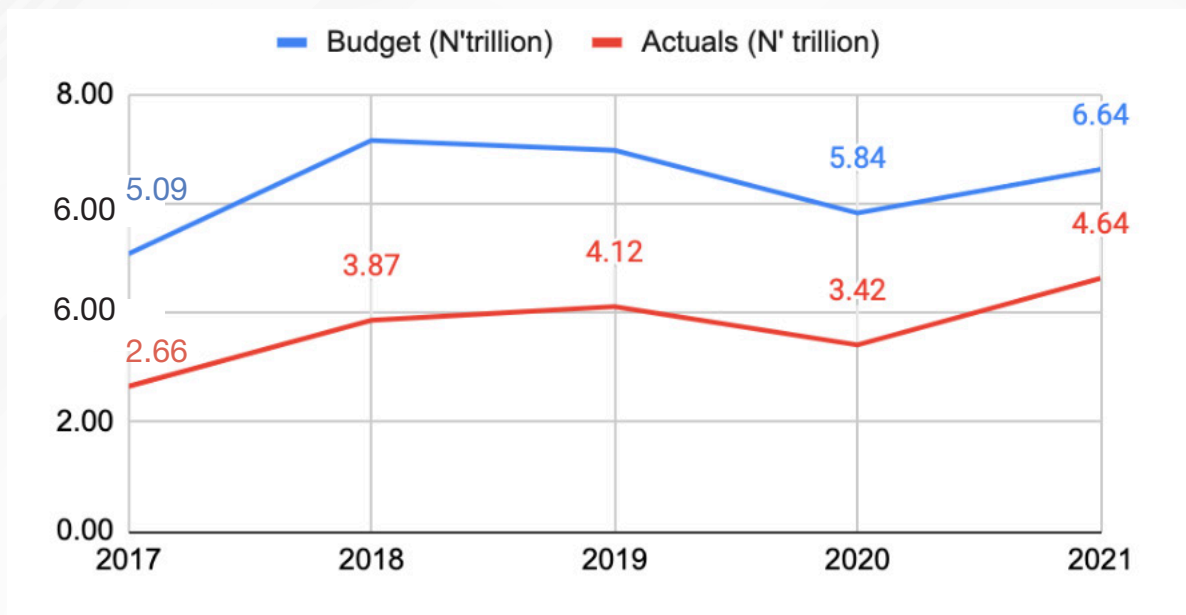**Federal Government Revenue Trend**

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

Approving Authority/ "No Objection" to award	Goods	Works	Non-Consultant Services	Consultant Services
BPP issues "No Objection" to award/ FEC approves	100 million naira and above	500 million naira and above	100 million naira and above	100 million naira and above
Ministerial Tenders Board	5 million naira and above but less than 100 million naira	10 million naira and above but less than 500 million naira	5 million naira and above but less than 100 million naira	5 million naira and above but less than 100 million naira
Parastatal Tenders Board	2.50 million naira and above but less than 50 million naira	5 million naira and above but less than 250 million naira	2.50 million naira and above but less than 50 million naira	2.50 million naira and above but less than 50 million naira
Accounting Officer: Permanent Secretary	Less than 5 million naira	Less than 10 million naira	Less than 5 million naira	Less than 5 million naira
Accounting Officer: Director General/CEO	Less than 2.50 million naira	Less than 5 million naira	Less than 2.50 million naira	Less than 2.50 million naira

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
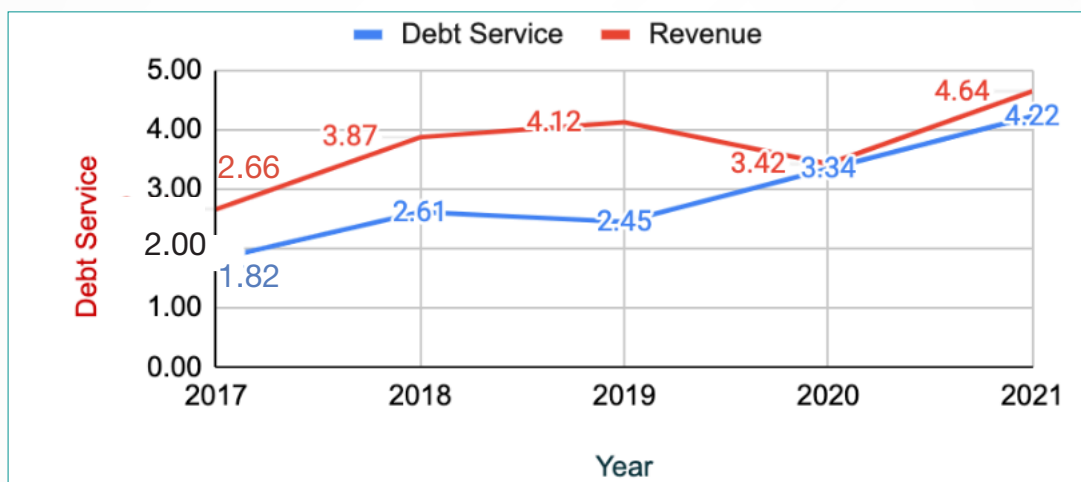
Recommendations

1. **Full Operationalisation of the Treasury Single Account**

2. **Increase budgetary allocation and disbursement to the agric sector**

3. **Strengthen PFM Systems**

4. **Constitution of National Council on Public Procurement**

5. **Peer Review Mechanism:**

6. **Proactive Disclosure of Support from Partners**