



BUDGET HANDBOOK

**CITIZEN of the
Federal Republic of NIGERIA**

About BudgIT

BudgIT is a civic organization driven to make the Nigerian budget and public data more understandable and accessible across every literacy span. BudgIT'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. We have a goal to use creative technology to intersect civic engagement and institutional reform.

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WHAT IS A BUDGET?



A Budget is like a plan; it shows what the government is expecting as income (popularly called revenue) and what the government plans to spend the money on, which is called expenditure.

A budget is a document which also has details about how the government plans to spend your money. This money may be your personal share of Nigeria's wealth which the government has collected on your behalf; e.g revenue, or your contribution, which you pay as tax to the government.

The budget also contains other details; for instance, it will show whether the government intends to save or borrow money within the specified year. Local governments, State governments and the Federal government all have budgets. The budget document is called an **Appropriation Act**.

Appropriation is the legal authority granted to the Government to spend your money on your behalf. This is done by the Legislature - the National Assembly or State Houses of Assembly. When you vote for anyone in an election, you are simply giving the person the legal authority to approve and spend money on your behalf.

HOME WORK

#AskQuestions

Do you have the budget for your local government? How about the budgets for your State government and the Federal government?

Write your Councillor and local government Chairman or Chairlady for details of your Local Government budget. It is your right to do so, and your duty as a good citizen.

Write your representative at the Lagos State House of Assembly for the State government budget, or visit www.yourbudgit.com

WHY DO YOU NEED A BUDGET?



Advertising manager- If Government spends less on advertising, business may go badly for you. 👎



Air traffic controller- If Government intends to build a new airport, you may be transferred or even promoted. 👍



Architect - If Government is planning to build offices and residential houses, business may turn out great for you. 👍



Photographer- If Government is planning to recruit more staff or increase salaries (which the budget will show as a growth in personnel costs), your business may experience a big boom; more people will hold and attend events like weddings and birthdays.



Housekeeper (domestic help) - If Government plans to sack workers or reduce salaries, your employer may want to cut costs, and may reduce your salary too. 👍



Auditor – If the government plans to investigate people who do not pay tax, perform audits of its operations, or plans to enforce new rules, then your services will be needed, meaning more business for you. 👍



Baker - If Government plans to build roads, hospitals, etc. in your area, your income may increase, because construction workers are known to eat a lot of bread. 👍



Barber, hairdresser or makeup artist - If Government plans to employ more staff and therefore pay more salaries, then people may have more money, and spend more on beauty products and services, thereby increasing your income. 👍



Bricklayer, Electrician, Plumbers and other construction workers - If Government intends to build more roads, houses or schools, more construction workers will be needed. This will increase their salaries. 👍



Drivers – Any increase in the salaries of Nigerian workers will likely lead to an increase in spending. As more Nigerians spend on transportation, more people who work in that sector - like drivers - will earn more. 👍



Car mechanic - When Government's policies causes a rise in the salaries and allowances of everyone who has a job, more Nigerians will buy cars. More cars mean more mechanics will also have more money to spend. 👍



Carpenter - If Government policies bring an increase in the salaries and allowances of everyone with a job, more people will buy furniture, meaning carpenters will make more money too. 👍



Farmer, fisherman and forestry worker – If a farmer looked closely at the budget for agriculture, he or she will understand what plans the Government has, including whether free fertilizers or machines will be provided for farmers. 👍



Laundry worker and Dry-cleaner - If Government's policies bring an increase in the salaries and allowances of everyone who has a job, then more people will pay to have their clothes washed and ironed. 👍



Lecturers & Teachers: If the budget shows that Government wants to spend more on personnel in the education sector, this could mean better salaries and allowances for teachers and university lecturers. 👍



Midwives, Doctors and other Health Workers: If the Health budget shows the Government will increase the personnel cost in that sector, it could mean more midwives and health workers will be employed, or that there will be a rise in the allowances for the health workers. 👍

Homework

#AskQuestions

Why do you need the budget?

Write to: info@yourbudgetit.com

HOW IS THE BUDGET PREPARED?

A lot of work goes into preparing the budget. Everything has to start early, so that the budget can be finished and approved by the Legislature, before the beginning of the new year.

1 The first stage of the Budget process is that a budget is written, or drafted. It is then sent to the Legislature (lawmakers) for approval, often spent by the Executive (government) and finally gets audited, to check that all the money was shared or spent just as written in the Budget plan at the beginning. A proper budget audit is expected to be verified by an independent professional, and the results are usually made public.

2 In Nigeria, there is a document that is prepared before the annual budget. This is called the Medium Term Expenditure Framework (MTEF). Having the MTEF means for the 2015 budget, there are already plans for 2016 & 2017. It helps in planning government resources.

Homework

#AskQuestions

Do you have the MTEF document?

Download it at: www.yourbudgit.com/data

THE BUDGET PROCESS



PRE-BUDGET STATEMENT

Contains information on the economy and other data used to calculate government revenue and spending.



EXECUTIVE'S BUDGET PROPOSAL

The first copy of the budget, which is read to the Legislature by the Executive, or whoever else is chosen to do so.



ENACTED BUDGET

The budget document approved by the Legislature, then signed by the President, Government or Local Council Chairman.

CITIZENS' BUDGET

A simplified version of the budget, which can be read and understood by most Nigerians.



IN-YEAR REPORT

A report which is released during the Budget year. It shows what the government income was in the last 3 months and how it was spent. The In-Year Report also contains information on what was borrowed, and what was saved.

MID-YEAR REPORT

A document that looks at how the budget performed in the first six months of the year, with more details on how much was made, spent, borrowed and saved by government.



YEAR-END REPORT

This looks at the budget performance for the whole year. It mixes the In-Year Report and the Mid-Year Review to give more details of all spending, borrowing and savings made, in terms of revenue.

AUDIT REPORT

Checks if the In-Year, Mid-Year and Year-End Reports, as delivered by the government is accurate. Audit reports also check if the budget, and all the reports about it were prepared properly .

COMPONENTS OF A BUDGET

The Budget is divided into Expenditure and Revenue.



REVENUE

Revenue is the amount of money the government believes it will make during the year; this is simply money collected on your behalf.



EXPENDITURE

Expenditure is how the government plans to spend the money it will make. Again, this money is being spent on your behalf.

Expenditure has two parts: Recurrent and Capital Expenditure.



CAPITAL EXPENDITURE

Capital Expenditure is money spent by government to get fixed capital assets, land or intangible assets. This means Capital Expenditure is how much is used for projects like the building of schools, hospitals, roads, or buying security equipment. Capital Expenditure is sometimes called “Capex.”



RECURRENT EXPENDITURE

Recurrent Expenditure are all payments, apart from capital assets. It includes payments for goods and services (wages and salaries for workers, electricity bills, purchase of diesel), fuel subsidies, interest payments on debts, and transfers. Recurrent Expenditure can be seen as the cost of running government, or the cost of items that can be used immediately. Recurrent expenditure is divided into; personnel cost, overheads and debt service.

PERSONNEL COST



Personnel Costs are the total amount including salaries, allowance and other benefits that Government pays to its workers (civil servants). These are the people the Government employs to work for you and provide what you need, as a citizen.

OVERHEADS



These are any regular expenses which are not paid directly to a civil servant or other government workers, including amounts billed directly to customers. Overheads must be paid for regularly. Examples are: electricity bills, water bills, the buying diesel for generators, or the money spent on travelling during work, by civil servants.

HOME WORK

What is the most important thing you want the government to include in the budget?

**The Budget is divided into;
Expenditure and Revenue.**

BUDGET

REVENUE



Oil



Non Oil

EXPENDITURE



**PERSONNEL
COST**



OVERHEADS



**CAPITAL
EXPENDITURE**

RECURRENT EXPENDITURE

SOURCE OF GOVERNMENT REVENUE.

The Nigerian Government's income, revenue or its money comes from: Oil Revenue and Non-Oil Revenue.

Around 74% of Nigeria's revenue comes from the Oil and Gas sector. This oil and gas belongs to you, and other Nigerians.

Oil Revenue is gotten through the following:

1. When the Government sells crude oil and gas.
2. The rent our Government collects from the big businesses it allows to pump crude oil and gas. This money is called Royalties.
3. The fees the Government charges oil companies, whenever they release gas into the air.
4. A special tax the Government collects from oil companies. This is called Petroleum Profit Tax.
5. A share of the profits or money made by companies involved in the pumping and selling of crude oil and gas. This is called Dividends, and paid to our Government.

Nigeria's Non-oil revenue comes from four major taxes:

5%

When you buy things (goods), the Government collects about 5% of the cost of the goods you bought. This is called Value Added Tax. Check your receipt next time you are at the supermarket or shopping centre, and ask questions

30%

The Government collects about 30% of profits made by companies. This is called Companies Income Tax.



When goods are imported into Nigeria, the Government charges some money, to allow these goods enter Nigeria. This is called income from Customs Excise and Duties.



The Government collects a percentage of your salaries or income. This is called Personal income Tax, and it usually goes to your State Government.

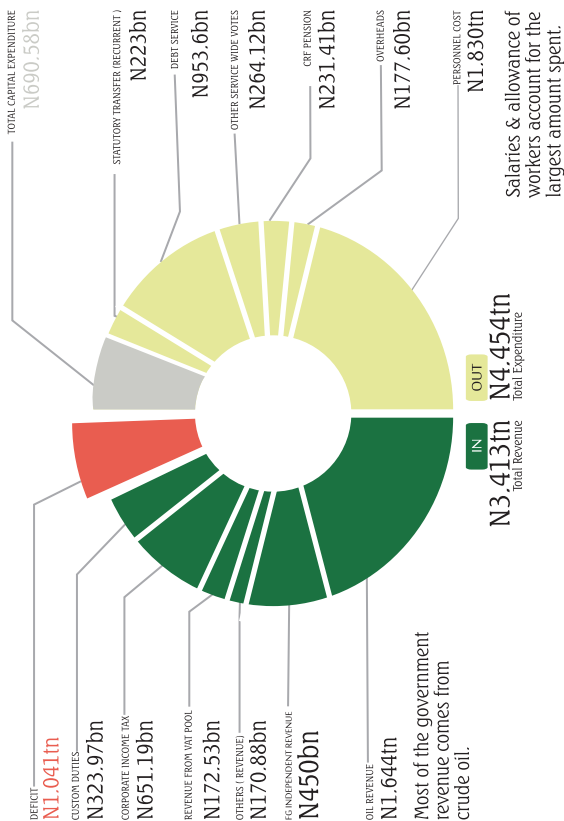
WHY DOES GOVERNMENT BORROW?

When government spends more money than it collected as revenue, it must find other ways to raise the balance needed to complete its Budget for the year. These ways include borrowing from banks or investors.

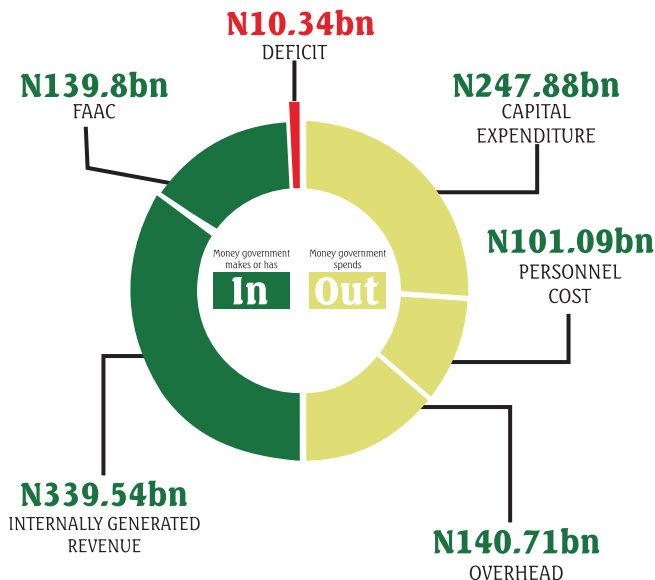
A budget may be either balanced, in deficit or surplus.

- **Balanced Budget** is a budget where the Government spends all its income without having to borrow. That means the total revenues were equal to total expenditures for the year.
- **A budget deficit** happens when the Government spends more than it earned as revenue. Usually, the Government must then borrow money. For example, the Federal government 2015 budget is a deficit budget. This means we are spending more than we receive as actual revenue.
- **A surplus budget** happens when the Government is able to make more revenue than it can actually spend. When this happens, the Government will usually save the extra money not spent, for a rainy day.
- **Deficit Financing** is the difference between what the Government makes as revenue on behalf of the people and what they spend.

FEDERAL GOVERNMENT ACTUAL 2015 BUDGET BREAKDOWN



FOR EXAMPLE LAGOS STATE BUDGET



HOMEWORK

Ask for your state's budget. What item in the budget do you think will benefit you, and why?

FOR EXAMPLE EDO STATE CAPITAL BUDGET

PROJECT	LGA	AMOUNT
Irrua-Usugbenu-Ugbegun-Ebudin-Ujogba Road	ESAN CENTRAL	200,000,000.00
Ikekato,Unea and Uwasa Road	ESAN CENTRAL	50,000,000.00
Idumuebo-oghagbo Road	ESAN CENTRAL	20,000,000.00
Amedokhian-Ugboha Road (5km)	ESAN NORTH EAST	20,000,000.00
Isua-Arue-Uzenema Egbere Road (7.4km)	ESAN NORTH EAST	20,000,000.00
Auchi Textile Training Centre (renovation and refurbishment)		5,000,000.00
Auchi Water supply Scheme	Etsako East	20,000,000
Iyerekhu/Odama electricity Supply	Etsako Central	10,000,000
Construction of New Eye Centre at Central hospital, Auchi	Etsako west	25,000,000
Transit home for Refugees and Deportees (Benin City)	Benin	2,000,000
women development centre, Evbotubu, Benin city	Benin	5,000,000
Building of Commission's secretariat within the high court complex	Benin	50,000,000
Construction of Industrial borehole at Oza-Aibokula	Orhionmwon	15,000,000
Construction of a new accident and emergency ward complex and renovation of existing structures in the Central hospital, Benin city.	Oredo	4,000,000,000

This is how the budget should look like to you. #AskQuestions

Track government's projects on

tracka

<http://www.tracka.ng>

Do you know capital projects
in your area?

Notes

10 THINGS TO DO TO BECOME AN ACTIVE CITIZEN (BUDGET)

-  PAY YOUR TAX
-  REGISTER AND VOTE DURING ELECTIONS
-  TALK TO YOUR COUNCILLORS AND OTHER PEOPLE YOU ELECT
-  ATTEND COMMUNITY DEVELOPMENT MEETINGS
-  TAKE TIME TO CHECK COMMUNITY PROJECTS
-  IF SOMETHING DOES NOT SOUND OR LOOK RIGHT
#AskQuestions
-  ASK FOR THE BUDGET
-  ASK ABOUT HOW MUCH THE GOVERNMENT WANTS TO BORROW, AND FROM WHERE
-  ASK FOR THE TOTAL AMOUNT OF MONEY THE GOVERNMENT RECEIVED AS REVENUE
-  ASK HOW MONEY MADE BY GOVERNMENT IS SPENT

www.yourbudgit.com

