
Leveraging Budget Reforms For Economic Development

*Key Insights from FG's 2022 Budget
Proposal Analysis*



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

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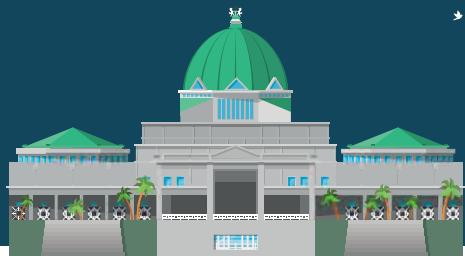
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Abbreviations

AGILE	Adolescent Girls Initiative for Learning and Empowerment
ANRIN	Accelerating Nutrition Results in Nigeria
ATASP	Agricultural Transformation Agenda Support Program
CBN	Central Bank of Nigeria
COPREP	COVID-19 Preparedness and Response Project
COVID-19	Sars-Cov2
ERGP	Economic Recovery and Growth Plan
FME	Federal Ministry of Education
FRA	Fiscal Responsibility Act
GDP	Gross Domestic Product
IMF	International Monetary Fund
MDA	Ministries, Departments and Agencies
MTNDP	Medium Term National Development Plan
NDDC	Niger Delta Development Commission
NHIS	National Health Insurance Scheme
NEITI	Nigeria Extractives Industries Transparency Initiative
NNPC	Nigerian National Petroleum Corporation
NPHCDA	National Primary Health Care Development Agency
RAAMP	Rural Access and Agricultural Marketing Project
SAIPZ	Special Agro Industrial Processing Zones
VCDP	Value Chain Development Programme

FEDERAL GOVERNMENT PROPOSED BUDGET

2022



Unit = NGN

+ Revenue

Share Of Federation Revenues

5.32tn

Independent Revenue

1.82tn

Government Owned Enterprises

1.73tn

Special Funds, Accounts-Receipts and others

1.01tn

Dividends

195.72bn

Aids and Grants

63.38bn

Total Revenue
10.13tn

Deficit
6.26tn

- Expenditure

Non-Debt Recurrent Exp.

6.83tn

**Capital Expenditure

4.89tn

Debt Servicing & Sinking Fund

3.90tn

Statutory Transfer

768.3bn

Total Expenditure

16.39tn

**Capital expenditure in statutory transfers excluded

Source: FG 2022 Appropriation Bill



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01 Introduction

This document covers budget reform issues, our analysis of the country's revenue projections, expenditure analysis across sectors and recommendations that can be implemented in the short-term before the 2022 budget is signed into law to minimize loopholes for corruption. We have clearly made some level of progress as a country as it concerns budget reforms, and this progress should not be diminished in any way, however, we still have many kilometers to go.

Welcome to the 2022 edition of our proposed budget analysis series, a staple of our research output since 2012

A win for fiscal transparency

The early submission of Nigeria's proposed 2022 FG spending plan of N16.39trn to the National Assembly is a commendable feat, as this gives adequate room for public debate and ample time for oversight by the National Assembly. Section 81(1)(2) of the Constitution of the Federal Republic of Nigeria (2011, as amended) and sections 21(3) of the 2007 Fiscal Responsibility Act, 2007 empower the National Assembly to review and approve the budget as part of its oversight function to minimize opportunities for corruption.

Furthermore, international best practice, as spelt out in the International Monetary Fund (IMF) Code of Fiscal Transparency, recommends that the Executive submits its budget proposal at least 3 months before the beginning of a new financial year to allow for robust scrutiny by the Legislature and early approval of the budget¹. An open question remains: will the legislators live up to their oversight responsibilities and pass a budget with limited loopholes for corruption? Only time will tell; but so far, we note that the 2022 budget defence process has shown an encouraging display of rigour from the legislators.

Progress on Budget Reforms

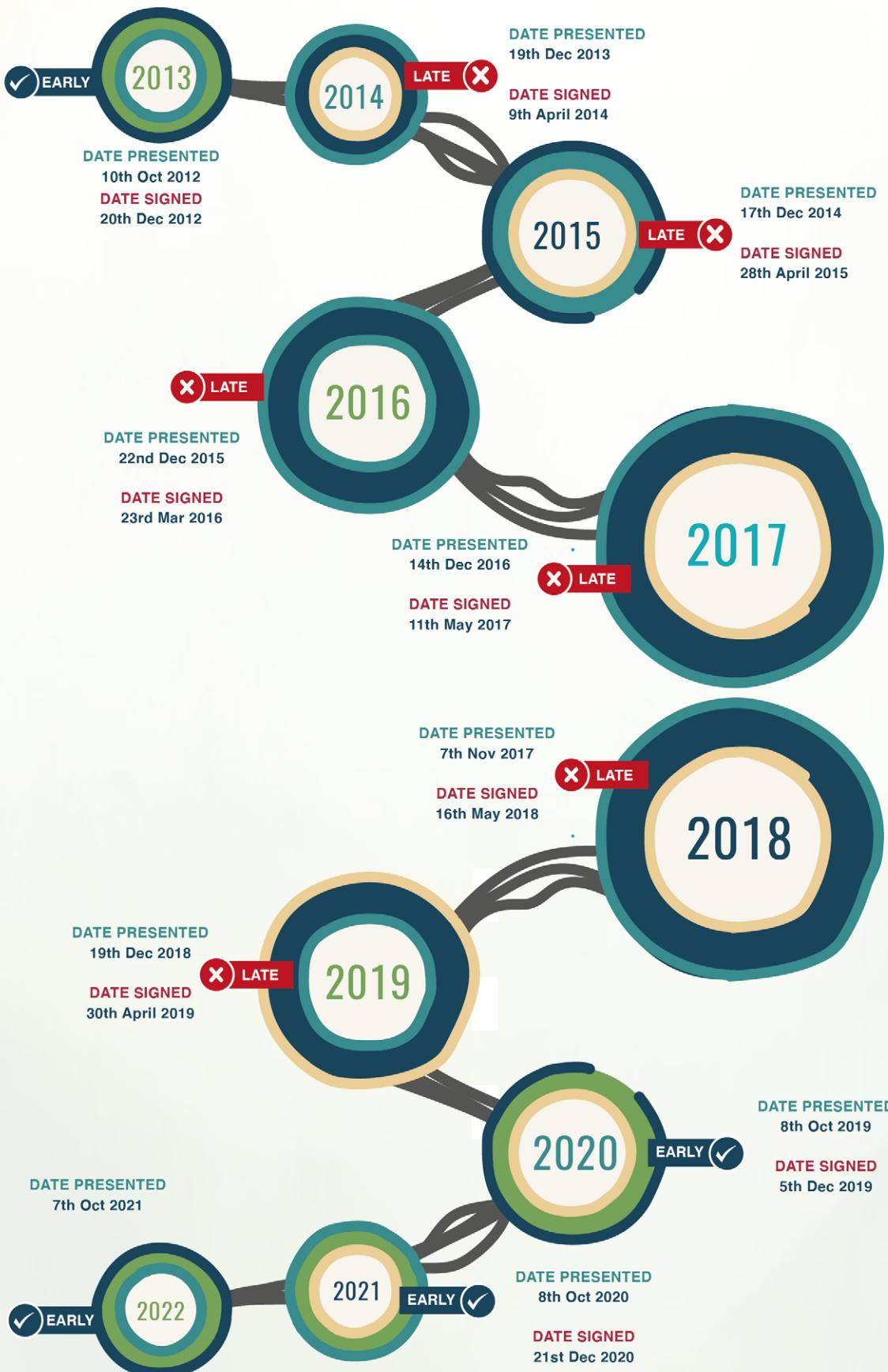
In addition to timeliness in the presentation of the budget, several other reforms that Civil Society Organizations and progressive state-actors have advocated for in the past have seen the light of the day. For example, at least 122 federal agencies received allocations for "Security Votes" worth N24bn in the 2021 budget, even though the majority of them were not security related agencies, and 93 of these agencies already had allocations for "Security Charges" to cover their security associated expenditures.

This did not happen in the proposed 2022 budget; no single non-security related agency received allocations for "Security Votes" (Budget Code: 22020605). Only 29 federal agencies with security related mandates received such allocations.

¹See the International Monetary Fund. (2019). IMF Fiscal Transparency Code. Available at: <https://www.imf.org/external/np/fad/trans/Code2019.pdf>.

FG BUDGET PRESENTATION TIMELINES (2013 - 2022)

FG's 2022 Budget which was transmitted to the National Assembly on 7th October 2021 is the earliest the government has ever submitted its budget to the legislature in the past 10 years.



Similarly, there were no duplications of ERGP codes (a unique identifier for capital projects in the budget). All 14,000+ capital projects in the 2022 FG budget, reviewed by our analysts, had unique ERGP codes. In contrast, in previous years, there were scenarios where one ERGP Code was used to tag multiple capital projects, creating a loophole for diversion of funds meant for one or more of the projects tagged with what should have been unique identifiers. However, we note that project names/descriptions were duplicated across several MDAs; this is discussed further in this document's segment for 'Pending Budget Reforms'.

Many reasons to care about the budget

The Federal Government's 2022 budget document should be important to citizens, political parties and civil society for three reasons. Firstly, 2022 is an election campaign year in a country where incumbent politicians (in collaboration with civil servants) and their benefactors may have an incentive for bleeding the public treasury dry — at any level of government — just before their tenure ends.

Secondly, 2022 is the last full year of an 8-year administration² at the federal level that has shown very little political will to hold its most senior officials accountable for how they spend public funds approved in the budget. In 2016, the Auditor General of the Federation reported that 324 MDAs during this administration's first full budget year did not submit their Audit Statements for budgeted funds; this is the highest level of non-compliance in more than 20 years³.

Thirdly, Nigeria is battling with fiscal risks that threaten the macroeconomic stability and long term fiscal sustainability of the country. Nigeria is confronted with a serious revenue crisis, rising public debt, high unemployment and underemployment rates, dwindling foreign direct investments and development aid, insurgencies, and nationwide civil unrest. How the government allocates scarce resources to

solve these issues through the budget ultimately affects the quality of life every Nigerian can experience in 2022.

In light of the challenges above, Nigerians need to pay close attention to the 2,168 page 2022 federal budget document uploaded on the government's website, which lists out how N16.39tn will be utilized. However, if you do not have the time or the patience to look through the entire document, our team has you covered with this 40-page summary of the critical issues you should know.

2022 Fiscal fundamentals

The fiscal fundamentals on which the 2022 budget is built are quite prudent and conservative, but many grey areas leave much to be desired by accountability actors. The \$57 per barrel benchmark is safe, considering the prevailing crude oil price of about \$82.25 per barrel as of November 25th, 2021⁴; should this trend hold for up to 6 months in 2022, it would give the Federal Government an opportunity to rebuild the country's Excess Crude Account which houses savings from crude oil sold above the budget benchmark, and help reduce the country's borrowing.

Inflation which erodes the purchasing power of citizens could translate into higher levels of poverty and, ultimately, worsen Nigeria's insecurity across the 36 states. This continues to be a concern as the IMF estimates that Nigeria's high inflation could push as many as 5.6m Nigerians into poverty⁵. The Federal Government aims to curtail inflation to 13.00% by the end of 2022 — down from the prevailing 16.63% as of September, 2021.

Evaluating the actual versus projected inflation rates for the 5years between 2016 - 2020, we note that actual inflation rates as of December 2017 (15.37%) and 2018 (11.44%) were slightly better than the government's projections for both years of 15.74% and 12.4%, respectively.

²Mr. Buhari's 8-year term is due to be completed by May 29, 2023 meaning he would only spend 5months of the 2023 fiscal year (January - May) in office as president.

³See " More MDAs violate audit law under Buhari than previous govts – Nigeria's Auditor-General" by Oladeinde Olawoyin, on July 20 2018, in Premium Times (Online) Newspaper. Available at: <https://cutt.ly/VTH8TqQ>.

However, in recent years (2019 and 2020), the economy performed worse, in terms of inflation, than what the government had projected as shown in the chart below. For 2022, the federal government has pegged the USD/Naira exchange rate at N410/\$1; however, Nigeria's weak naira is still trading at up to N580/\$1 or more in the black market and this may continue well into 2022 — further fueling inflationary pressures on goods and services. This is a key concern especially as Nigeria is significantly dependent on imports which drive higher

demand for the dollar and a consequent hike in the USD/NGN exchange rate.

However, in simple terms, here is what citizens need to pay attention to as it concerns inflation and their quality of life: Is the food in the market today less expensive than it was five years ago? Is the naira in your bank account more valuable today than it was five years ago? With the projected inflation rate of 13% in 2022, will you be better off than you were five years ago?

Fiscal Fundamentals

Exchange Rate (per USD)

N410.15



Benchmark Oil Price

\$57 per barrel



Daily Oil Production

1.88 mbpd



Oil Price Today (per barrel)

\$80.46



Projected GDP Growth

4.2%



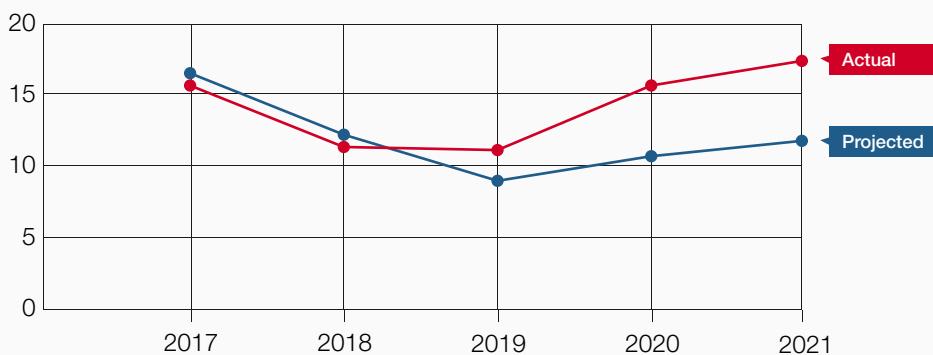
Targeted Inflation Rate

13%



How accurate have FG's inflation projections been?

Projected inflation vs Actual(%) as at December each year (5years)

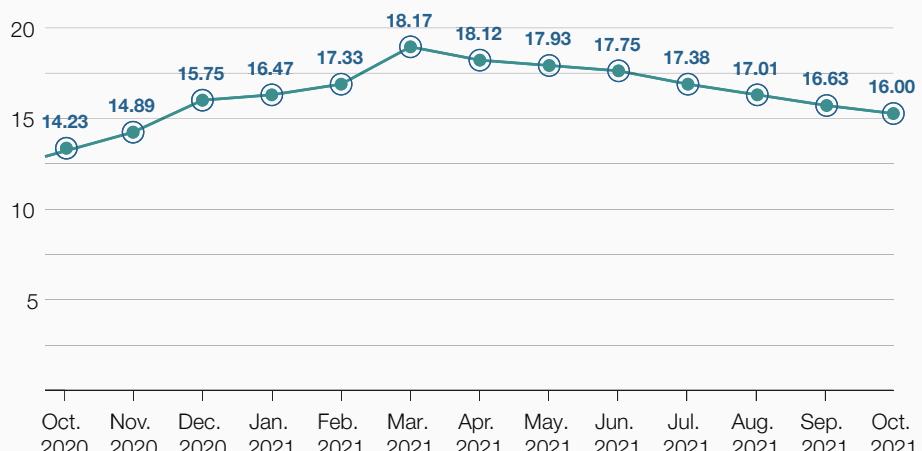


^awww.OilPrice.Com

^bSee "World Bank says 5.6 million Nigerians will fall into poverty due to high inflation", by Ubah J. Ifeanyi, on November 16 2021, in Nairametrics (Online), available at: <https://cutt.ly/DTJqIHP>.

How has the country performed with respect to inflation in the past 12 months

Units in %



Economic Growth and Poverty Reduction

86.67 million Nigerians currently live in extreme poverty⁶. With this poverty burden, the Federal Government needs to pull out at least 8.6 million people⁷ from extreme poverty in 2022 and every year thereafter until 2030 to enable it to meet the Sustainable Development Goal 1 of ending poverty in all its forms in 2030. To achieve this, the country needs a decent and sustained level of economic growth, as evidence suggests that economic growth⁸ is a powerful instrument for reducing poverty and improving the quality of life in developing countries.

The government projects that Nigeria's economy will witness a Gross Domestic Product (GDP) growth of up to 4.2% in 2022; if achieved, this would be commendable. It is noteworthy that Nigeria's GDP growth in Q3 2021 was 4.03%. The 2022 economic growth

target is attainable if the government works to implement some of its creditable initiatives.

To complement other ongoing poverty reduction and social protection initiatives, the government is proposing to spend N400bn to finance the country's new National Poverty Reduction with Growth Strategy (NPRGS) through 'Service Wide Votes', in addition to the N496.8bn earmarked for the Ministry of Humanitarian Affairs, Disaster Management and Social Development⁹. These are key budgetary allocations that citizens need to keep track of and ensure that funds are not diverted by ill-intended civil servants and politicians. Also, citizens need to advocate for more allocations in the budget dedicated to containing Nigeria's population explosion and household sizes, especially as there is overwhelming evidence suggesting that larger households report greater incidences of poverty.

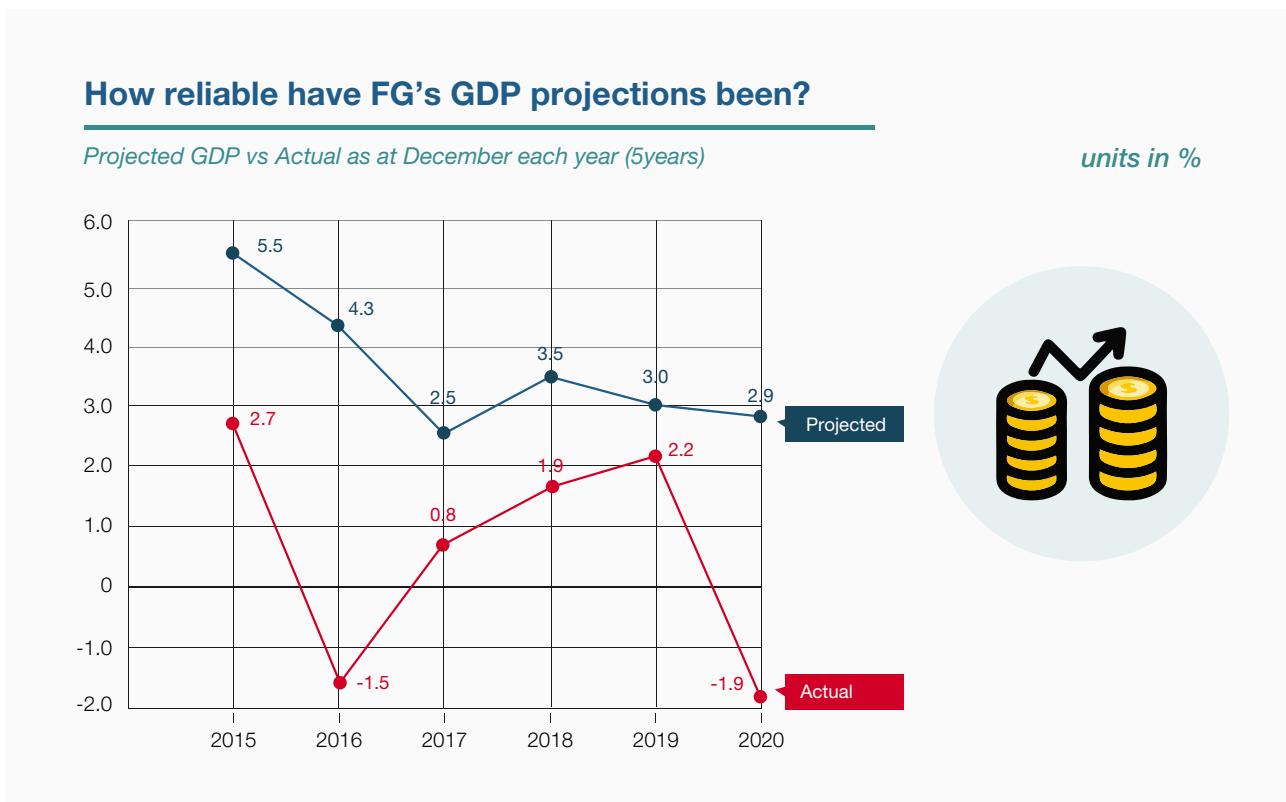
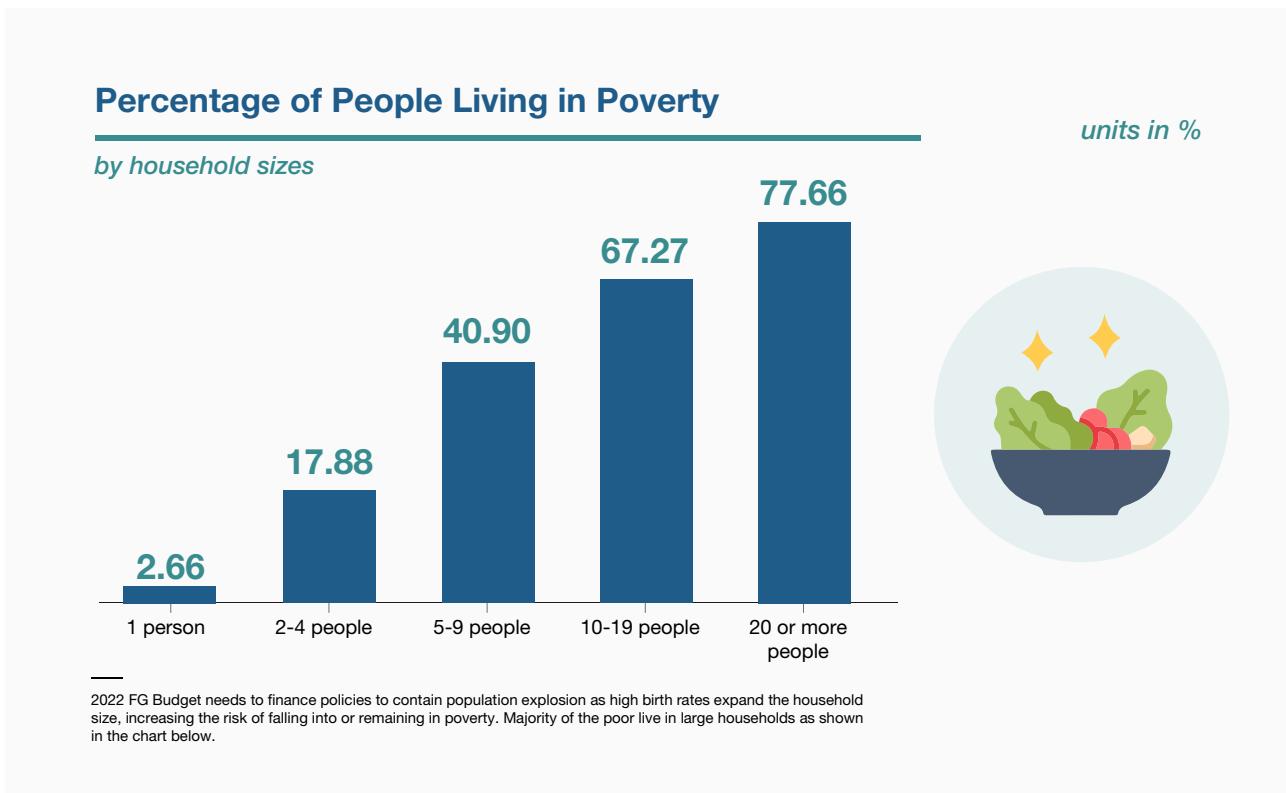
⁶See World Data Lab. The World Poverty Clock-Nigeria, available at: <https://worldpoverty.io/map>.

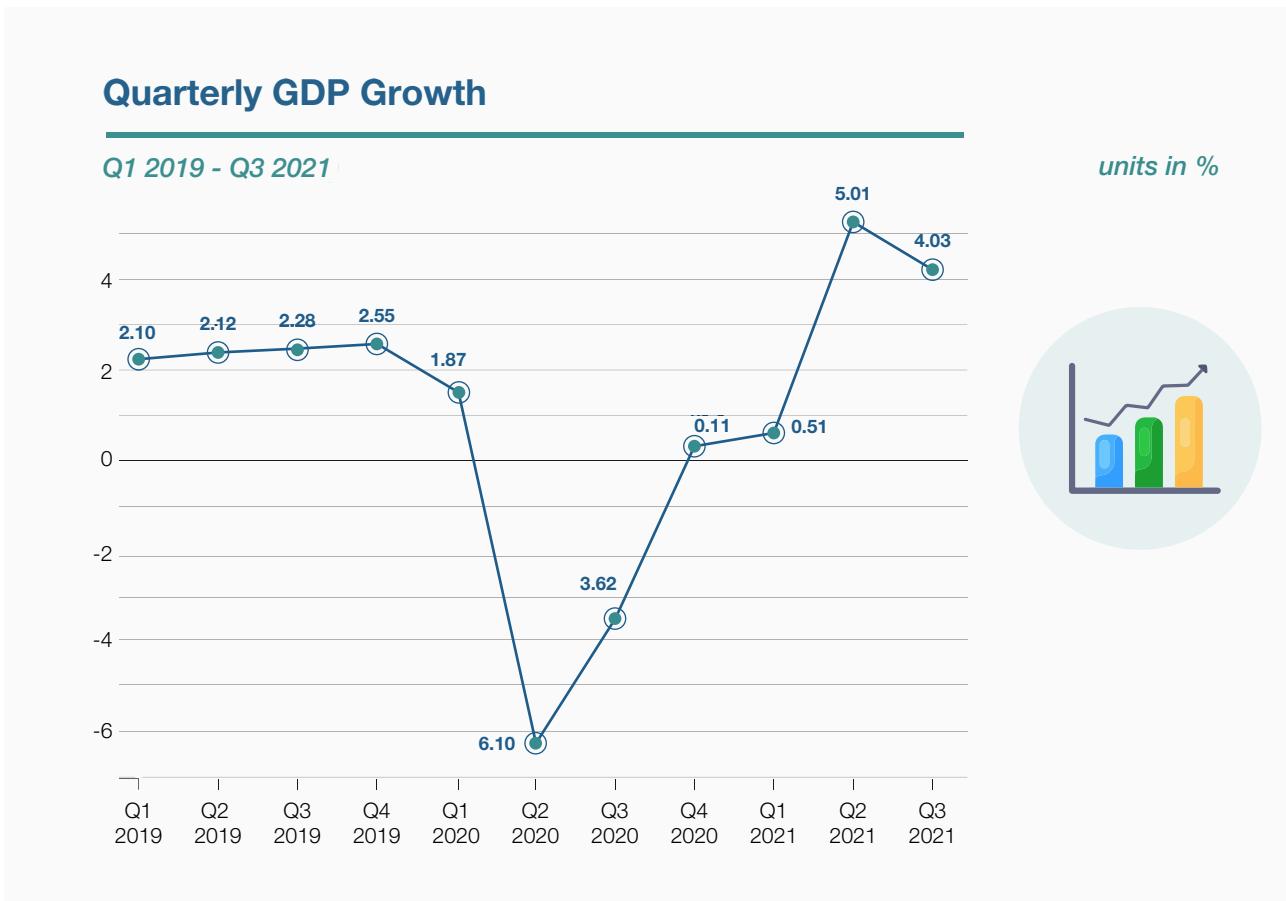
⁷BudgIT Foundation estimates.

⁸See generally, the United Kingdom Department for International Development (Now the Foreign and Commonwealth Office). (2008).

Growth: Building Jobs and Prosperity in Developing Countries, available at: <https://www.oecd.org/derec/unitedkingdom/40700982.pdf>

⁹See the Presidential Economic Advisory Council. (2022). "The National Poverty Reduction With Growth Strategy". Federal Republic of Nigeria, available at: https://nationalplanning.gov.ng/wp-content/uploads/2021/08/NPRGS-Final_23April-2021.pdf.







Budget 02 Reform Issues

Misalignment with Plans and Guidelines

As a result of Nigeria's growing Debt Burden, soaring Budget Deficit and an increasing number of abandoned capital projects due to low revenue generation in recent years, the Budget Office of the Federation published the 2022 Budget Circular on August 19th, 2021 (BD/2000/EXP/S.800/I/3/4) issuing conservative budget ceilings (or caps) for 44 mother ministries consistent with the Medium Term National Development Plan (2021 - 2025) to contain these fiscal problems¹⁰.

Despite this directive by the Budget Office of the Federation and a subsequent warning issued by the office on September 6th, 2021 (DG/BDT/GEN.CORR/2016/V/2233) to report federal Ministries who breach the budget ceiling to the Independent Corrupt Practices and Other Related Offences Commission (ICPC); a total of 29 Ministries breached their respective budget ceilings by a cumulative of N1.75trillion, including projects that may not be compliant with the Medium Term National Development Plan. Only 15 Ministries complied with their budget ceilings.

This situation has bloated the country's budget deficit, the difference between what the government projects to earn as revenue (N10.13trn) and what it expects to spend (N16.39trn), to a towering N6.26trn which translates to 3.39% of the country's GDP. The size of the 2022 Budget Deficit is an unfortunate breach of Section 12(1) of the Fiscal Responsibility Act (FRA) 2007, which

stipulates that the country's annual budget deficit should not exceed 3% of the estimated Gross Domestic Product (GDP). An immediate implication is that there would be more borrowing, leading to an increase in Nigeria's debt profile which stands at N35.46tn as at June 2021.

The Ministry of Communications and Digital Economy overshot their ceilings by N126.32bn, while the Ministry of Transport and National Population Commission exceeded their capital budget ceiling by N69.32bn and N178.09bn respectively. Regrettably, the Ministry of Finance, Budget and Planning, which is the mother ministry of the Budget Office of the Federation that issued the guideline, surpassed its capital budget ceiling by N837.39bn.

N5tn: Spent in the Dark

A key flaw in the 2022 budget proposal presented by Mr. President to the National Assembly on 7th October 2021 is the full or partial omission of known critical government expenditures from the budget document which we estimate to be over N5tn.

The omission limits public scrutiny of those expenditures and constitutes a corruption risk, as the resulting cloud of opacity could be an incentive for misappropriation or outright theft of public funds, especially as 2022 is an election campaign year.

¹⁰See the Federal Ministry of Finance, Budget and National Planning (FMBNP): Budget Office of the Federation. Federal Government of Nigeria 2022 Budget Call Circular, on August 19 2021, available at: <https://cutt.ly/PTJaiue>.

Case 1: Niger Delta Development Commission, NDDC

Set up to emancipate the oil-rich region from poverty, the NDDC is entitled to multiple sources of funding including statutory transfers from the Federal Government, which is projected to be N98.7bn in FG's 2022 budget. According to Part V, Section 14(2)(b) of the NDDC Act, the agency is also entitled to 3% of the total annual budget of any oil producing or gas processing company in the Niger Delta¹¹.

According to the Nigeria Extractives Industries Transparency Initiative (NEITI) 2019 Audit Report, NDDC received an average of N198.7bn per year between 2017 and 2019 from this 3% levy on oil and gas companies; there is no mention of this source of funding in the 2022 budget documents. The secrecy makes this revenue susceptible to diversion by the few government officials and vested interests. To buttress this point, the Economic and Financial Crimes Commission, EFCC has an ongoing case of abuse of office at the Federal High Court against a former Chairman of House of Representatives Committee on NDDC, alleging that a company, Starline Consultancy Ltd was awarded a N10bn contract by NDDC to collect this 3% levy from oil and gas companies but it instead served as a conduit for distributing the contract sum to various individuals and companies including the accused former Committee Chairman who

has now refunded N150m so far according to the EFCC;¹² the court case has been adjourned to February 2 and 3, 2021. It doesn't have to be this way if 100% transparency is introduced into the collection and expenditure of NDDC's 3% Levy on Oil and Gas companies.

Furthermore, there is no breakdown listing the capital projects to be embarked upon in the Niger Delta for public scrutiny. This intentional omission is another corruption risk that has been taken advantage of in the past by vested interests in this agency. As an example, according to the Auditor General of the Federation's report on NDDC, N485.12m was awarded by NDDC for "Studies and Design" of Amabo-Umuechima Road, Bende Local Government Area, Abia State¹³ a few years after the construction of the road was already completed. Also, at least N61.5bn was paid to contractors without their mobilization to the various project sites¹⁴.

A potent way to prevent public funds from being spent on non-existent capital projects is to introduce transparency and let the public be aware of NDDC's complete capital project list and priorities through the budget process so it can be publicly tracked like those of other government agencies. For as long as the full details of NDDC's budget remains a secret it would remain a conduit for looting by vested interests while the Oil-rich region continues to languish in poverty.



N198.7bn

was the average fund received by the NDDC as its 3% Levy from operating budget of Oil & Gas companies.



N10bn

EFCC insists that Starline Consultancy Ltd received N10bn to help NDDC collect these 3% Levy, instead distributed the money to vested interests.

¹¹Other sources of the revenue that accrue to the NDDC can be found in Section 14 (2) (a-f) of the NDDC Act. Available at: http://www.commonlii.org/ng/legis/num_act/ndcea504/

¹²<https://www.efccnigeria.org/efcc/news/7465-alleged-nddc-fraud-trial-of-nicholas-mutu-former-nndc-committee-chair-continues-nov-24>

¹³Office of the Auditor General of the Federation, OAUGF, "Doubtful Commissioning of Consultants for The Studies And Design Of Projects After The Award And Execution Of The Relevant Projects - 485,128,179.79", "Report of Special Periodic Checks On The Activities And Programmes Of Niger Delta Development Commission (NDDC), 2013 - 2018, Page 17. <https://www.oaugf.ng/docman/11-nddc-report-of-2013-to-2018/file>

¹⁴Value for Money, <https://valueformoney.ng/vfm-report/independent-findings-on-compliance-audit-reports-on-nddc-2008-2018/>

NDDC revenue from 3% levy

Year	Amount (USD)	Exchange Rate (USD/NGN)	Amount (NGN)
2015	\$387,621,000	196	N75,973,716,000
2016	\$492,066,000	305	N150,080,130,000
2017	\$545,328,070	305	N166,325,061,350
2018	\$683,383,330	306	N209,115,298,980
2019	\$721,274,840	306	N220,710,101,040

Source, Page 109, NEITI 2019 Oil and Gas Report



According to
NDDC Act, NDDC
is entitled to
**THREE
PER CENT**
*of the Operating
Budget of Oil and
Gas Companies in
the region*

Case 2: Petrol Subsidy

The government, in the eight months between February to September 2021, spent an estimated N864.04bn on petrol import subsidy¹⁵ without any appropriation in the 2021 budget by the National Assembly. The actual amount spent on petrol equalization subsidy in 2021 is not publicly known, also the budget for the Petroleum Equalisation Fund Management Board (PEFMB) or its successor agency is not included in the 2022 FG budget. Clearly, the opacity of Nigeria's petrol subsidy program is set to continue in the 2022 fiscal year, as there are no allocations of petrol subsidies in the 2022 Appropriations Bill document transmitted to the National Assembly. We note that petrol subsidies were reflected in the Medium Term Fiscal Framework (MTFF) document.

The implication is that there is no opportunity to debate the number of liters per day that should be subsidized, and there is little governance over how the subsidy process works.

The Managing Director of Nigerian National Petroleum Corporation (NNPC), the organization managing the country's import subsidy

program (also called underrecovery or NNPC Value Shortfall) admitted that a large chunk of the 60m litres per day of subsidized petrol is smuggled out of Nigeria for sale in neighboring countries by vested interests.¹⁶

This is despite Nigeria's huge investment (through the PEFMB) in Aquilas Product Tracking software and the Downstream Automated Fuel Management Information System (DAPMIS) for tracking the movement of all petrol trucks across the country and each truck's product volume while in-transit. Prosperity dies in darkness and as long as only a few people in the country are allowed to manage the subsidy payment and tracking mechanism without inclusion in the budget for oversight by citizen's representatives in the National Assembly as required by Section 81(1)(2) of the constitution, the risk of diversion of public funds to private pockets will continue well into 2022, while the country goes cap-in-hand to borrow N5tn to finance its budget.

There are speculations that subsidy will be removed in 2022 due to deregulation of the sector, however, this is highly doubtful as it is

¹⁵Time for Business Unusual (English). Nigeria Development Update Washington, D.C. : World Bank Group. <https://cutt.ly/sTLF8uN>

¹⁶See "Senate queries CBN, Customs, others over Poor Revenue Remittance", by Queen Esther Iroanusi, on September 2 2021, in Premium Times (Online) Newspaper, available at: <https://cutt.ly/lTJfi9F>.

more difficult for any government around the world to remove subsidy programs during an active election campaign year; this is even more true in Nigeria which has a huge trust deficit between the government and citizens. The resultant increase in petrol prices that would accompany subsidy removal could trigger public backlash, an unwanted outcome for incumbent political parties during campaigns.

Case 3: Electricity Subsidy

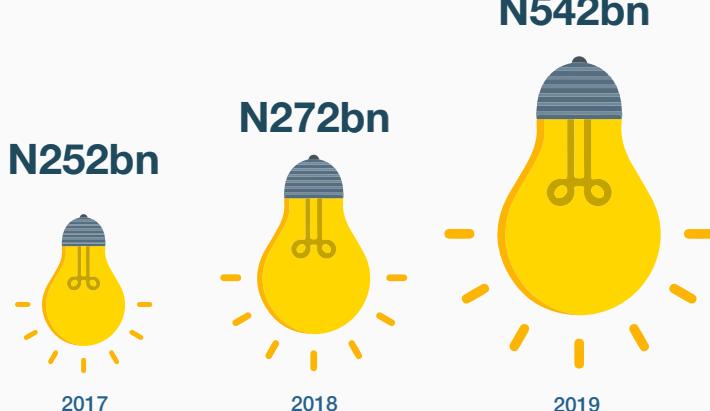
Unknown to many Nigerians, the electricity utilized across millions of households is subsidized by the government; Nigeria spent N252bn, N272bn and N524bn in 2017, 2018 and 2019 respectively¹⁷, all of which were not reflected in the budget of those years. The government currently owes N1.67tn as electricity shortfalls due to electricity subsidies and has agreed to a payment plan with Distribution Companies, however, this payment plan was not reflected in the 2021 budget and can also not be seen in the 2022 budget proposal. Considering that the country has not

yet fully implemented cost-reflective electricity tariffs, there is a need for Nigerians to know exactly how much will be spent on electricity subsidies in 2022 and how the figures are arrived at. These subsidy figures need to be reflected in the federal government's 2022 budget, the risk of diversion of public funds to private pockets will continue well into 2022, while the country goes cap-in-hand to borrow N5tn to finance its budget.

There are speculations that electricity and petrol subsidies will be removed in 2022 due to deregulation of the sector, however, this is highly doubtful as it is more difficult for any government around the world to remove subsidy programs during an active election campaign year; this is even more true in Nigeria which has a huge trust deficit between the government and citizens. The resultant increase in electricity and petrol prices that would accompany subsidy removal could trigger public backlash, an unwanted outcome for incumbent political parties during campaigns.

Federal Government Expenditure on Electricity

Subsidy not approved in the annual budget has increased over time



Source: Page 39, 2020 IMF Article IV Consultation

¹⁷See the International Monetary Fund. (2021). 2020 Article IV Consultation—Press Release; Staff Report; and Statement by the Alternate Executive Director For Nigeria, at p. 39, Table 3. Nigeria: Federal Government Operations, 2017–25. Available at: <https://www.imf.org/-/media/Files/Publications/CR/2021/English/1NGAEA2021001.ashx>

Inflated and vague projects

The federal government is proposing to spend N11.24bn on International Trainings in 2022, despite the official guidance from the Budget Office of the Federation for all MDAs to utilise only local training for capacity building except in exceptional cases. The breakdown indicates that a total of 58 federal agencies have a budget for ‘International Training’ summing up to N3.94bn, while 195 Agencies have a cumulative budget of N7.3bn for travels to attend International Training. This needs to be trimmed down by the National Assembly.

Furthermore, the Federal Government is projecting to spend N18.4bn on the Monitoring and Evaluation (M&E) of capital projects across the country. While the importance of M&E cannot be overemphasised, it should be noted that the government already has M&E staff on its payroll across key government agencies, separate travel allowances to project sites for MDAs and allocations for vehicles amongst others major M&E cost drivers; the budget for Monitoring & Evaluation should not be this high.

In a similar light, the sums of N395m, N416m and N1.06bn were allocated for the “CONSTRUCTION OF PRESIDENTIAL WING AT THE STATE HOUSE MEDICAL CENTER” in the 2019, 2020 and 2021 Federal Budgets respectively in the Federal Government’s State House. Regrettably, the cost of completing this project is now put at N21.9bn by the Presidency, an amount larger than the entire N20.7bn capital budget of the National Primary Health Care Development Agency (NPHCDA) in 2022; for better context, there are 28,036 public Primary Healthcare Centres (PHCs), many of which are dilapidated serving millions of Nigerians across the federation. For the avoidance of doubt, the proposed N21.9bn, 14-bed presidential wing of the State House Hospital is the same one conceptualized in 2012. Why wasn’t this wing of the hospital prioritized for completion since the inception

of his administration in 2015 considering Mr. President’s health challenges? The project is estimated for completion by December 2022, by which time Mr. President would have barely 5 months until the end of his 8-year tenure in May 2023.

In the area of projects with vague or unclear descriptions, the Nigerian Airforce is requesting for an allocation of N21bn for “PART PAYMENT FOR 2021 SUPPLEMENTARY BUDGET COMMITMENT” in the 2022 budget; best practice in the country’s budgeting process requires each agency to list individual payments and state their status as either “NEW” or “ONGOING”.

The Skyrocketing Budget Deficit and Debt Servicing Costs

Nigeria’s 2022 budget deficit, the difference between anticipated 2022 Revenue (N10.13tn) and anticipated Expenditure (N16.39tn), is estimated to hit N6.26tn. This is dangerously above the safeguards guaranteed in section 12(1) of the Fiscal Responsibility Act (FRA), 2007 which stipulates that the budget deficit must not be higher than 3% of the country’s estimated GDP.

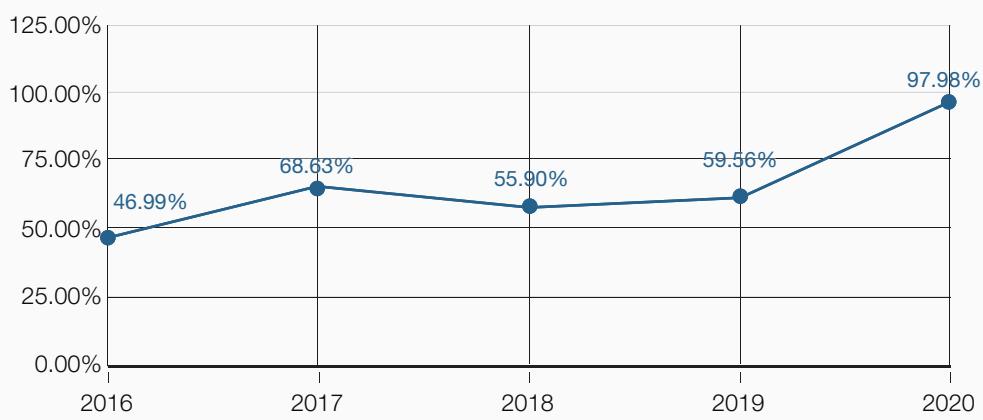
However, the proposed 2022 deficit is 3.39% higher than the GDP. 80% or N5.01tn of the N6.26tn deficit would be borrowed. This borrowing plan is larger than the entire country’s budget in 2015 and further exposes the country to risks of exchange rate volatility, higher interest rates from CBN ‘Ways and Means’ and higher cost of debt servicing.

The Federal Government’s debt servicing costs have been soaring over the past 5 years; it wiped out 48% of the FG’s revenue in 2016, swept off 98% of its revenue in 2020 and up to 87% of FG’s revenue in the first half of 2021. The National Assembly needs to take urgent measures to check the growing deficit.

How will the deficit be financed?



Nigeria's Debt servicing cost as a % of FG revenue has been growing



Fragmentation of the budget and Interministerial Coordination

The Federal Government's capital budget is fragmented across over 14,000+ capital projects being implemented by all federal MDAs; this spreads the government too thin across board to make a resounding impact on Nigeria's ailing infrastructure. Furthermore, there are still too many ministries carrying out functions that are outside their mandate; as many as 88 Federal Government agencies have at least N216.5bn allocations for Road Constructions across the country in the proposed 2022 budget while 80 different agencies have a cumulative allocation of N310.8bn for "Construction/Provision of Electricity".

There is a growing trend where government agencies interpret their mandates in the broadest terms possible to provide them with the latitude to award infrastructure contracts; in many cases these contracts are awarded to themselves or companies where they have vested interests to the detriment of the project quality. In November 2021, ICPC secured the conviction of a senior Nigeria Export Processing Zones Authority (NEPZA) Employee¹⁸, who awarded a N342m construction contract to himself.

In FG's 2022 Budget, the same agency (NEPZA) has proposed allocations of N3.78bn for construction of "Initial 5MW Power PUNIT and Electrical Reticulation Units" in three locations whereas there are other agencies of government who may have better capacities and personnel to handle and monitor the contract process. While this in itself is not a fraud it speaks to the very weak and inefficient level of coordination amongst federal agencies and could also make public projects more expensive than they should ordinarily be.

Capital Budget Padding

Capital budget padding, the practice of providing for recurrent expenditures within an entity's capital budget (as a way of subverting the recurrent expenditure ceilings) was rampant in the 2022 federal government Budget, despite warnings from the Budget Office of the Federation that such projects will not be admissible. For the avoidance of doubt, the Fiscal Responsibility Act, 2007 defines a "Capital Expenditure" as spending on an asset that lasts for more than one financial year and expenses associated with the acquisition of such assets.



EIGHTY-EIGHT AGENCIES

HAVE AT LEAST N216.5BN ALLOCATIONS FOR ROAD CONSTRUCTIONS



EIGHTY

DIFFERENT AGENCIES HAVE A CUMULATIVE ALLOCATION OF N310.8BN FOR PROVISION OF ELECTRICITY



N324m

CONTRACT ALLOCATED TO TO SELF BY A STAFF OF NIGERIA EXPORT PROCESSING ZONES AUTHORITY

¹⁸ICPC Nigeria, "N342 Million Contract Fraud: ICPC secures conviction of Nigeria Export Processing Zones Authority (NEPZA) Employee" <https://bit.ly/3HUvx0E>

In the 2022 budget, N4.7bn was allocated to over 130 Meetings, Conferences and Board Meetings listed as capital expenditures across different MDAs. For example, the “FEDERAL MINISTRY OF INFORMATION & CULTURE - HQTRS” earmarked N48.9m for “QUARTERLY INTERACTION WITH FOREIGN MEDIA/PR LOBBY”¹⁹ in its capital budget. This problem occurred in 2021, where about N2.8bn was set aside for over 110 meetings and conferences as capital expenditures.

Across the 14,000+ capital projects in the budget, there are several projects like those described above that do not meet the definition for capital expenditures in the country’s Fiscal Responsibility Act. These projects should be reevaluated by the National Assembly.

Misplaced Priorities

The Federal Ministry of Education’s Headquarters is proposing N300m for the construction and furnishing of a recreational Gym for its staff. In BudgIT’s view, this is a misplaced priority given the lamentable state of public education infrastructure, the number of out-of-school children and the country’s outdated university curriculum for a lot of key programs.

The Nigerian Institute of Transport Technology, is budgeting N3bn for “CONSTRUCTION AND EQUIPPING OF DRIVER DEVELOPMENT AND TRAINING CENTERS IN SIX GEO-POLITICAL ZONES”. While this is not a frivolous item, it can hardly be described as a priority in the country’s Medium Term National Development Plan (MTNDP) 2021-2025, given the country’s low revenue generation capacity. An alternative source of funding for this project could be public private partnerships (PPP).

The Federal Government made a proposed

provision of N22.5bn for the purchase of “Motor Vehicles” across 212 MDAs in the 2022 budget, whereas there are thousands of hospitals across the country lacking medical ambulances to serve nearby communities. While it is true that there are MDAs who urgently need their vehicle replaced, the 2022 allocations for especially for luxury SUVs need to be revised downwards because in many cases, these serve little practical governance purposes but serve more to enhance the private utilities and convoys of the government officials and politicians.

Weak Incentives for Budget Accountability in 2022

A total of N377bn spent from the Federal Government’s 2019 budget²⁰ has not been accounted for across several MDAs, according to the 2019 Audit Report from the office of the Auditor General. There has been no consequence to the MDAs involved in the infractions since 2019, which range from N4.4bn in irregular award of contracts, to N49.5bn extra-budgetary expenditures, N132.5bn of unapproved payment of allowances to staff, and 15 other cross-cutting accountability issues. The Federal Government has had a very weak run on accountability of budgeted funds, which in no way discourages corrupt state actors from mismanaging parts of the proposed N16.39tn 2022 budget.

Further examples include the accountability issues raised by the Auditor-General in the Federal Government’s Audit report between 2016 and 2018, which have still not been fully addressed. Also, the full forensic audit report of the corruption scandals in the NDDC is still not in the public domain, despite commencement of the probe two years ago in October 2019. The aforementioned issues need to be adequately addressed to minimize risks

¹⁹See the Federal Republic of Nigeria. 2022 Budget Proposal. The Budget Code for this item is: ERGP9124027.

²⁰See Paradigm Leadership Support Initiative (PLSI). (2021). “Eighteen (18) Cross Cutting Issues”, 2019 Audit Report. PLSI (Online) Blog, available at: <https://plsinitiative.org/2019-audit-report-of-the-federation-cross-cutting-issues/>.

associated with fresh budget allocations to the affected ministries.

Duplicated Projects

Commendably, the Federal Government reversed a trend in the 2022 proposed budget that has significantly plagued successive annual budgets in time past. Hitherto, duplications identified in the budgets of past years were duplications of unique identifiers such as the ERGP codes and duplications of project descriptions. However, the Budget Office of the Federation has been able to eliminate the duplication of unique identifiers in the 2022 proposed budget.

Laudable as this is, the 2022 budget still has 58 duplicates of project descriptions. For example, the budget line “ESTABLISHMENT OF DUGABAU SMALL IRRIGATION SCHEME” appeared twice in the budget of the same agency with separate allocations of N30.58m and N20m (See page 1,105 and 1,106 of FG’s 2022 Budget Details). Similarly, the budget line “RECONSTRUCTION OF NASARAWA -LOKO ROAD IN NASARAWA STATE SECTION III” appeared twice in the budget of the same agency with separate allocations of N500m each (See page 1,004 of FG’s 2022 Budget Details). In another instance, the budget line

“CONSTRUCTION OF ROAD AT OSSY JAPAN ROAD UZUAKOLI, BENDE LGA, ABIA STATE” got two separate allocations of N80m each (See page 853 of FG’s 2022 Budget Details).

In view of the fact that the country has a very weak revenue generating capacity, and there are serious competing needs for the limited resources available to the government for expenditure, the government needs to optimize efficiency in the allocation of available scarce resources. This will require that the National Assembly, which has statutory powers, investigates and takes out duplicated projects crowding out much needed resources for spending on critical line items of the budget. Nevertheless, we note that there have been scenarios in the past where a few vested interests within the National Assembly duplicate projects (especially constituency projects) either intentionally or in error during the review process. We encourage that the leadership of the National Assembly be more vigilant with the 2022 Budget; our team will conduct another round of analysis for duplicated projects once the approved version of the budget is made public and provide feedback.



Revenue 03 Analysis

Nigeria projects to raise N10.13tn from multiple revenue sources. However, we recommend an abundance of caution with this unprecedented revenue projection for three reasons. Firstly, the Federal Government has never successfully raised up to half of its revenue projections in the past six years. Its highest revenue earned was N4.12tn in 2019.

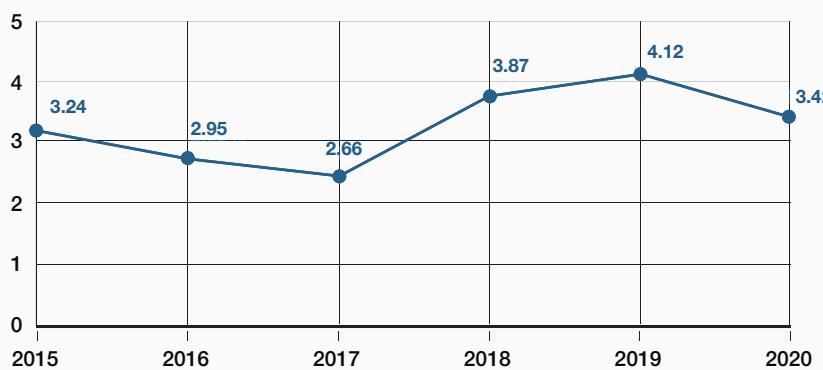
Secondly, there is significant fiscal indiscipline and administrative bottlenecks in the country's revenue management framework. The Federal Government through the Fiscal Responsibility Commission lamented that 33 government agencies did not remit N1.2tn revenue²¹ to the government coffers. Section 22 (2) of the Fiscal Responsibility Act, 2007 mandates that the 80% of the operating surplus of MDAs be paid to the Consolidated Revenue Fund of the Federal Government, within one month following the statutory deadline for publishing each MDAs financial statements. Despite this flagrant disregard of provisions of the law and established regulations by MDAs, there has been no known public consequences to the

leadership of the agencies involved; why would they remit more revenue in 2022 to help this administration meet its revenue targets?

Thirdly, the government has disappointingly missed all of its revenue targets in recent years. As an example, the Federal Government projected to earn N333bn from Stamp Duties between Jan-Aug 2021 but was only able to raise N9.8bn, representing a meager 2.9% of its target for that revenue line item. Based on a N10.13tn revenue projection in 2022, more contracts would be awarded to public contractors and whenever the government defaults due to insufficient revenue, there is a resultant ripple effect on the polity ranging from unpaid contractors' workers salaries, to unfulfilled financial obligations to banks, increasing non-performing loans and ultimately abandoned projects. This trend is part of the reasons why Nigeria has had over 56,880 abandoned public projects across the country in the past 40 years as claimed by Nigerian Institute of Quantity Surveyors (NIQ).²²

FG Actual Revenue

2015-2021 (Trillion, Naira)



²¹See "FG's agencies keeping N1.2tn illegally – Commission", by the News Agency of Nigeria, on May 19 2021, in the Vanguard (Online) Newspaper, available at: <https://www.vanguardngr.com/2021/05/fgs-agencies-keeping-n1-2tn-illegally-%E2%80%95-commission/>

²²See "Nigeria's 56,000 abandoned Projects", by Vanguard Media Nigeria Limited, on November 6 2021, in the Vanguard (Online) Newspaper, available at: <https://www.vanguardngr.com/2021/11/nigerias-56000-abandoned-projects/>.



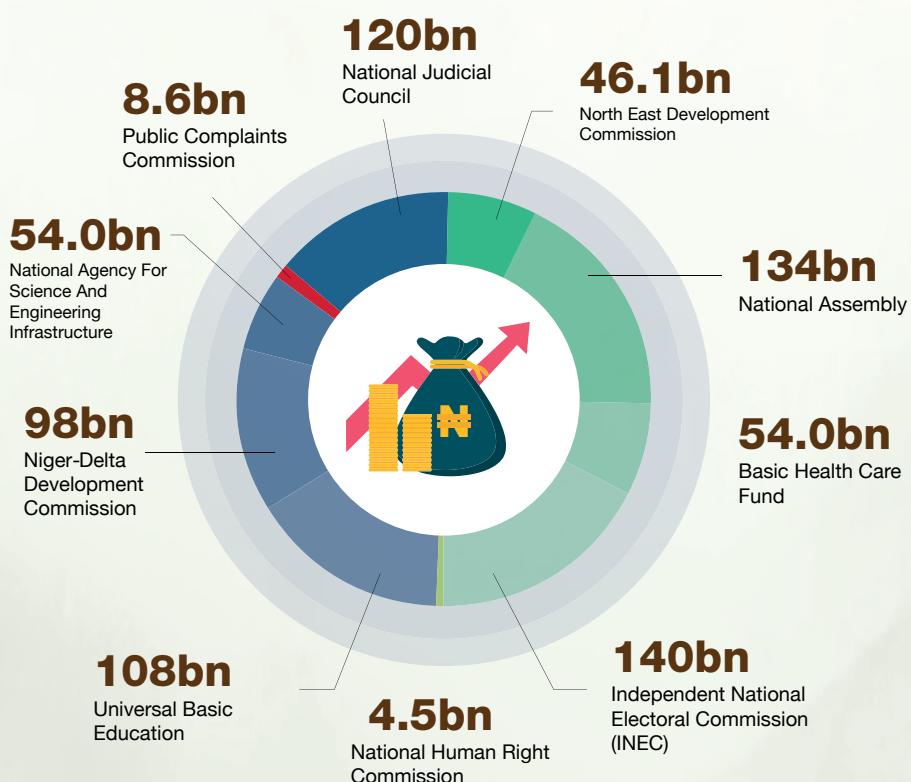
Expenditure 04 Breakdown



768bn

Total Statutory Transfers

Amount in Naira



Capital Expenditure Breakdown



4.89tn

Total Capital Expenditure

Amount in Naira



Executive Bodies Capital Allocation

2.13tn

Government Owned Enterprises (GOEs)

1.03tn

1.15tn

Multilateral/Bilateral
Loan Funded Projects



Federal Executive Bodies
1.88bn ₦



561bn

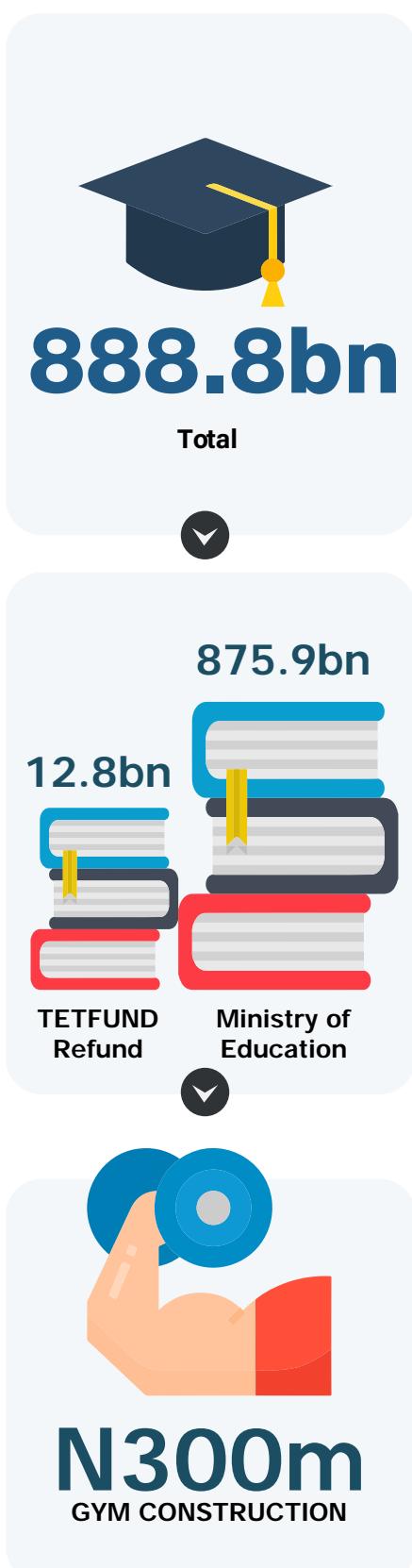
Capital
Supplementation

Key Sectoral Analysis

Education

Nigeria's education sector, comprising 236 MDAs at the federal level, was allocated the sum of N888.82bn in the 2022 budget proposal, including a service wide vote of N12.9bn-Tetfund refund provision. Although this year's education budget is 15.22% larger than the 2021 approved education budget of N771.4bn, it still remains a far cry from what is needed to transform the sector and revamp it for a sustainable future. In keeping up with previous years' trend of allocating more to recurrent than capital expenditure, while N662.73bn and N38.84bn has been proposed to be spent on personnel and overhead cost respectively, N187.25bn, which is 21.07% of the total education budget, has been allocated to capital expenditure. In furtherance of the Federal Government's pronounced commitment to provide equal opportunities for learning for girls and significantly reduce gender equality gap in the education sector, it proposed to spend N12.3bn on the "Adolescent Girls Initiative for Learning and Empowerment (AGILE) project." Similarly, N11.28bn has been earmarked for a Skills Acquisition project; N1.05bn for the purchase of ambulance for 24 Federal Unity Colleges; N1.29bn for scholarship for 598 people to study abroad; N1.44bn to service ongoing scholarship for 3932 persons studying in Nigeria; N2.63bn for the establishment of 10 Federal Science and Technical Colleges; and N1.2bn for the provision of Security Infrastructure in 104 colleges.

While a budgetary provision of N200m has been proposed for the procurement of classroom furniture and learning equipment in Federal Unity Colleges, the Federal Ministry of Education (FME) plans to make a questionable investment of N300m in the purchase of furniture and the construction of a gym and at its headquarters. According to UNICEF, about 10.5 million of the country's children aged 5-14 years are out of school.²³ If the problem of out-of-school children is to be treated as national security issue and significantly addressed, the N35m and N45m proposed allocation for the "National Campaign on Out-of-School Children" and "Advocacy, Sensitization and Mobilization on Out-of-School Nomadic Children", is grossly inadequate: Especially considering the fact that the Federal Government is willing to spend almost almost 4 times the proposed combined budget amount on constructing and furnishing a gym in the headquarters of the Federal Ministry of Education.



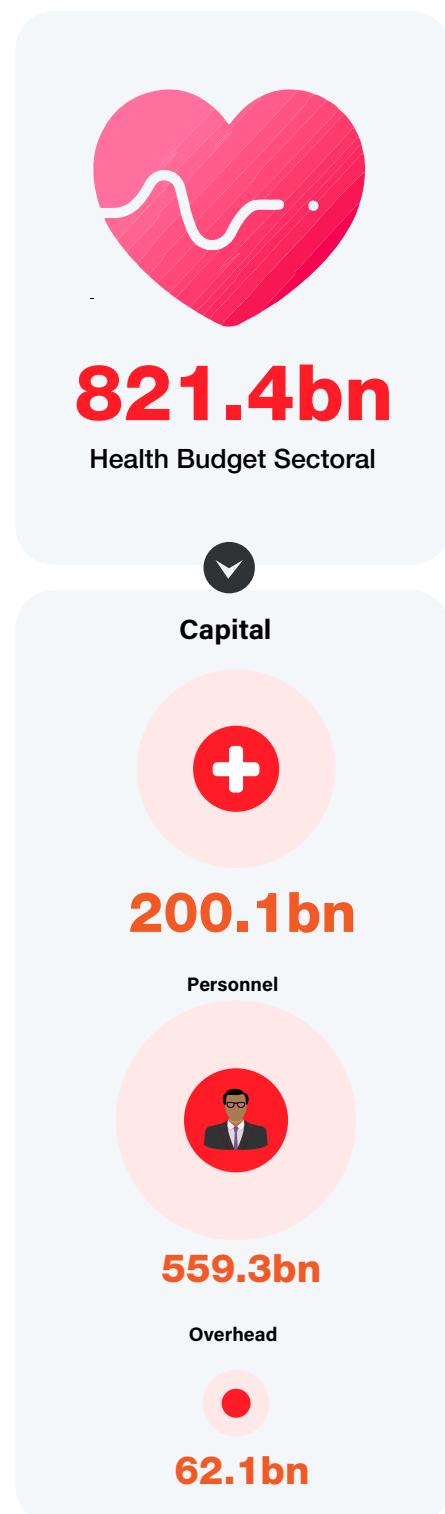
²³See the United Nations Children's Fund (UNICEF). Nigeria (blog page), available at: <https://www.unicef.org/nigeria/education>.

Health

Nigeria, despite slight improvements in health spending in recent times, remains highly susceptible to major disease outbreaks. Hence, the need for the government to prioritize spending on enhancing universal healthcare coverage, improving the health security capacities of the country and deploying COVID-19 vaccines effectively and efficiently enough to create herd immunity.

To this end, the Federal Government has proposed to spend N821.49bn—which represents a 29.26% increase in the N635.53bn health budget of 2021—on health in 2022. The Federal Ministry of Health has earmarked N70.85bn for spending on personnel cost, N12.71bn on overhead cost and N194.6bn on capital expenditure. In addition to the spending plan of the Federal Ministry of Health, there is an aggregated Service Wide Vote provision of N110.21bn for immunization, hazard allowance of health workers and National Health Insurance Scheme (NHIS) for military retirees.

Interestingly, in line with developing localized solutions to medical/health challenges, the Federal Government has set aside N222.02m for research and development of herbal medicines and the establishment of traditional medicine hospitals. Furthermore, while a proposed sum of N1.7bn has been earmarked for the procurement of 300,000 Units of Dialysis Consumables, N1.115bn has been set aside for a “National Emergency Medical Services and Ambulance System.” Other proposed capital expenditure items of note in the health sector include a N600m-cancer treatment counterpart fund, N3.12bn for the polio eradication initiative, N4.3bn for the procurement of routine immunization vaccines and devices and N954.92m for the procurement of kits and commodities for community health influencers. It is noteworthy that 85.44% of the the proposed capital expenditure envelope of the Federal Ministry of Health has been allocated to two projects namely: Accelerating Nutrition Results in Nigeria (ANRIN), which got an allocation of N32.81bn; and COVID-19 Preparedness and Response Project (COPREP) which has been allocated the sum of N45.12bn.



Source: Budget Office of the Federation

*This includes allocation of N54.05bn for Basic Health Care (BHC), N110.2bn for health related items in the Service Wide Vote and other items for the Ministry of Health

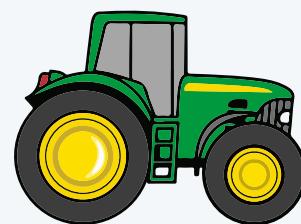
Agriculture

Agriculture, being the largest contributor to Nigeria's economy, contributed 24.45% to Nigeria's GDP in 2020.²⁴ However, the proverbial 'dutch disease' has encumbered Nigeria from diversifying its revenue base for decades, anchored on development of its agricultural sector.

The 2022 proposed federal budget of N300.37bn for the agricultural sector represents a 7.16% increase in the 2021 approved budget sum of N280.3bn. Commendably, 74.42% of the capital budget envelope for the sector, N223.55bn, has been allocated to capital spending. Similarly, N72.72bn and N4.10bn has been set aside for personnel and overhead costs respectively.

Key capital allocations in the agricultural sector budget include the following: N2.31bn for "Food and Strategic Reserves for Security and Market Stabilization"; N2.5bn for the construction of the Federal Ministry of Agriculture and Rural Development Complex; N2.34bn for irrigation agriculture and crop development; N2.5bn for agribusiness and market development; N1.5bn for national grazing reserves development; and N2.64bn for extension services.

Furthermore the Federal Ministry of Agriculture and Rural Development has proposed to source multilateral/bilateral project-tied loans to fund the following projects: N16.41bn for the Agro-Processing Enhancement and Livelihood Improvement Project; N32.81bn for Rural Access and Agricultural Marketing Project (RAAMP); N4.1bn for Value Chain Development Programme (VCDP); N16.41bn for the Agro-Processing Enhancement and Livelihood Improvement (Appeals) Project; N8.21bn for the Agricultural Transformation Agenda Support Program (ATASP); and N8.21bn for Special Agro Industrial Processing Zones (SAPZ). Summarily, some of the project-tied loans listed above appear to be duplicated.



300.4bn

Agriculture Budget Sectoral



Capital Expenditure



215.8bn

Personnel Cost



71.8bn

Overhead Cost



3.70bn

²⁴See the National Bureau of Statistics. (2021). Nigerian Gross Domestic Product Report: Q4 and Full Year, 2020, at p. 19, available at: https://www.proshareng.com/admin/upload/report/14443-GDP_Report_Q4%20&%20FULL%20YEAR%202020-proshare.pdf.

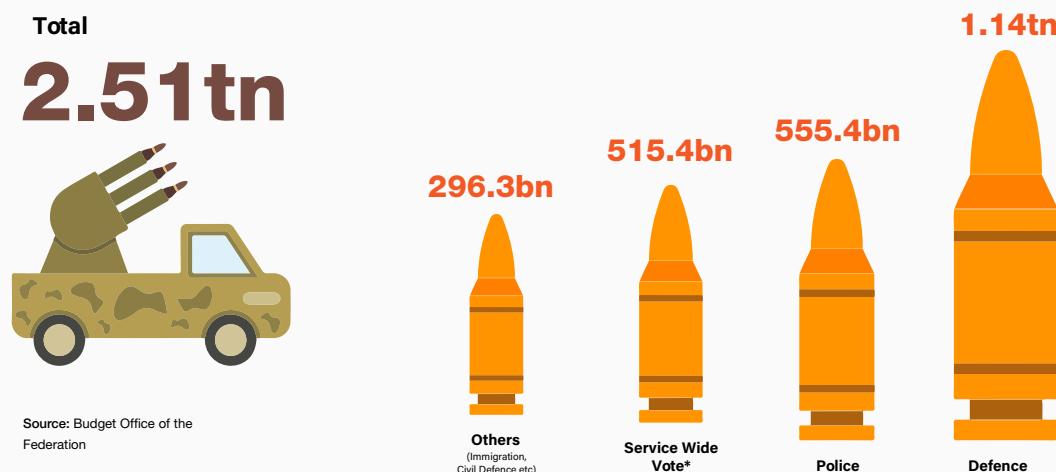
Security

The security and defence sector (which, for our analysis) comprises the Ministry of Defence, Federal Ministry of Police Affairs and the National Security Adviser and is the recipient of one of the largest shares of budgetary allocations for the proposed 2022 fiscal year. With a combined total budget of N1.88trn, the Ministry of Defence has the largest budgeted allocation within the sector, at N1.14trn, followed by the Ministry of Police Affairs at N555bn and the National Security Adviser at N188bn. Interestingly, all the ministries within this sector have allocated more to personnel, than to capital expenditures.

The National Security Adviser intends to allocate over 60% of its budget to personnel costs (at N119.01bn), the Ministry of Defence intends to grant over 80% of its total budget to personnel (N913.85bn) and the Ministry of Police Affairs intends to allocate a staggering 90% of its proposed budget (N500.53bn) to personnel. The NPF requests for N2.1bn for the purchase of arms and ammunition in the 2022 budget. We note that the most recent Audit report released by the Auditor General indicates that 178,459 firearms were reported as “lost” by the Nigerian Police Force; the National Assembly needs to find out what new measures are in place to prevent loss of new firearms from the NPF and also demand accountability before granting new allocations.

Although, this might be in response to the rising insecurity the nation has been witnessing within the past 3 years. The Nigerian Airforce is allocating almost 58% (N103.78bn) of its total proposed budget to personnel and 37% (N65.64bn) to capital expenditure. The Nigerian Navy is setting aside over 70% (N108.16bn) of its allocation to personnel and only 17.42% (N25.81bn) of the total to capex.

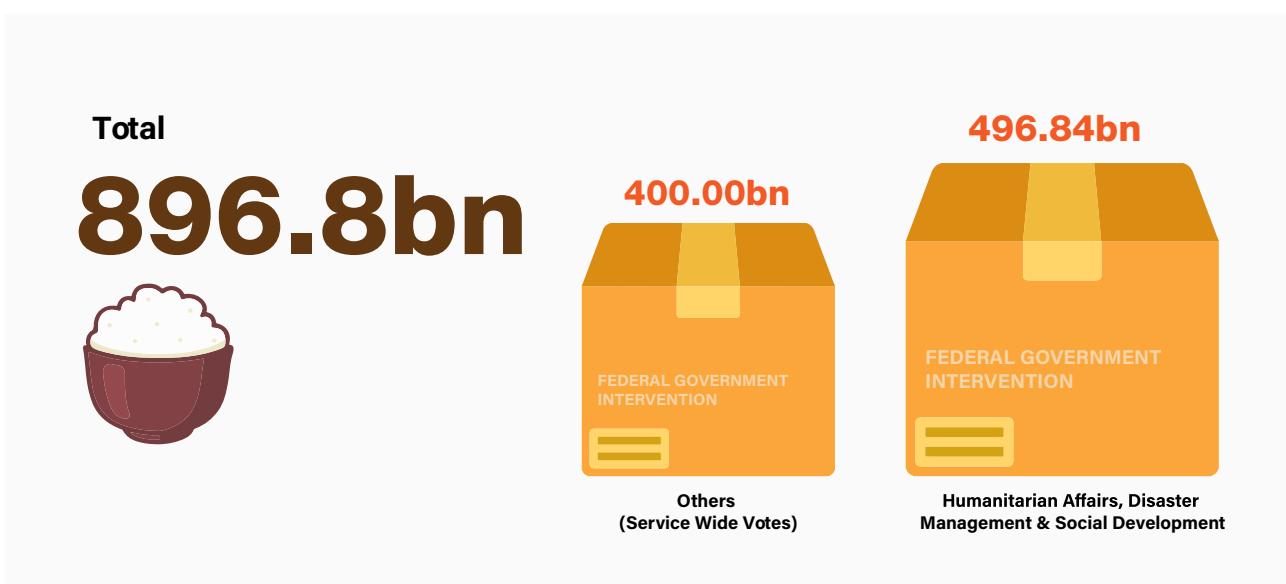
Lastly, the Nigerian Army has pegged its personnel costs to be over 90% (N530.08bn) of its total budget but only a mere 4.9% (N28.37bn) to capital expenditure. The Federal Ministry of Police Affairs has given nearly its entire proposed budget to its Police Formations and Commands, representing 98.5% (N547.75bn) of the total budget to the Ministry. The Police Formations and Commands have the bulk of their budget directed towards personnel, the latter representing 90.74% of the total (i.e. N547.75bn). The bulk of capital expenditure is intended for procurement of equipment, arms, ammunition, construction and renovation, among other things. The National Security Adviser, has its largest allocations going to the Directorate of State Security Service (N68.39bn), followed by the National Intelligence Agency (N66.24bn) and the National Security Adviser (N39.02bn). Out of the 5 MDAs under this Ministry, only the National Security Adviser and the Presidential Air Fleets (State House), have a capital expenditure that exceeds their personnel budget.



Special Interventions

The federal Ministry of Special Duties and Intergovernmental Affairs is proposing a total budget of N7.23bn for the 2022 fiscal year. Of this amount, 54.92% (or N3.97bn) of the total allocation is proposed to go to the National Lottery Regulatory Commission, 23.7% (or N1.71bn) is intended to go to the Ministry of Special Duties and Intergovernmental Affairs- Headquarters and 19.6% (or N1.41bn) is meant to be allocated to the National Lottery Trust Fund. Very concerning is the MDA with the highest allocation to personnel i.e., the National Lottery Regulatory Commission, as it proposed to take a whopping 30.8% (or N2.22bn) of the entire allocation to the sector.

This MDA is also responsible for the highest capital expenditure of the whole sector, as it proposes to allocate 21.1% (or N1.52bn) of the total. Broadly speaking, the total personnel allocation to the ministry i.e., of N3.43bn is a difference of N641.65mn from the total capital expenditure allocation of N2.79bn. In the main, these allocations are very worrying as the ministry Headquarters ought to cater to special projects that cannot be feasibly or practically handled by other ministries, such as social transfers.



Mines and Steel

The Ministry of Mines and Steel has a proposed total allocation of N23.45bn for the 2022 fiscal year. A breakdown of this sum, has the largest chunk of the allocation going to the Nigerian Geological Survey Agency, at N6.206bn (or 26.45%) of the total, the second highest allocation, of N5.53bn (or 23.6%) going to the Ministry of Mines and Steel Development (Headquarters) and the third highest allocation of N4.200bn (or 17.95%) going to the infamous Ajaokuta Steel Company Limited (according to some reports, the cumulative spending in the company by previous administrations, spanning over 3 decades, has exceeded \$10bn²⁵).

In terms of total recurrent expenditure, the ministry has allocated N12.03bn (comprising personnel and overhead), representing 51.34% of the total, while capital expenditure is proposed to be N11.41bn (or 48.66%). Of these amounts, the Ajaokuta Steel Company Limited is taking N3.93bn for its personnel spending alone and this is the largest allocation for the personnel line in the entire sector, with the closest MDA (the National Iron Ore Mining Project, Itakpe), taking approximately half that amount, at N1.51bn.

The MDA with the highest capital expenditure allocation, is the Ministry of Mines and Steel Development (Headquarters), which is to take N3.56bn (representing 15.2% of the total proposed allocation to the sector). Interestingly, the Ministry of Mines and Steel Development intends to spend N200.24bn on a “Mining Regulatory Agency”. This is rather odd, considering the ministry itself is the regulatory agency and can simply have an office within its structure carry out this responsibility. The total amount allocated to the sector is concerning, as it has remained (in terms of absolute proportions) a poor contributor to the nation’s GDP. In 2020, it was recorded to have contributed only 5.46% to GDP and this was lower than its contribution to GDP in the two previous years.



23.4bn

Mines & Steel Budget
Sectoral



Capital Expenditure



11.4bn

Personnel



10.3bn

Overhead



1.7bn

²⁵See “Analysis: Ajaokuta: How Nigeria’s largest industrial project failed”, by Francisca Oluoyele, on December 26 2017, in the Premium Times (Online) Newspaper, available at: <https://cutt.ly/ITJxryu>.

Ministry of Science and Technology

The Ministry of Science and Technology proposes an allocation of N120bn for its 2022 budget. Nearly 26.57% (or N31.89bn) of the total allocation is submitted as the share of the Nigerian Building and Road Research Institute, Lagos. This institute has the highest capital expenditure allocation of all the MDAs, at N30.66bn and a personnel allocation of N1.12bn. Fundamental questions arise, as to what the contribution of this institute has been and currently is, within the framework of existing road infrastructure and its quality.

The second largest allocation will go to the National Space Research and Development Agency, Abuja at 20.41% (or N24.50bn) of the total. This personnel allocation proposed for this agency of N19.80bn, is a far cry from the capital expenditure allocation of N4.20bn. The third largest allocation intends to go to the National Biotechnology Development Agency, Abuja at 8.55% (or N10.26bn) of the total. It is telling that the largest allocations to the ministry are going to some of the most research intensive MDAs that arguably contribute very little, in terms of tangible inputs to the nation.

It is hoped that the large injections of funds will also spell unique innovations and breakthroughs, that improve the research output of the country, as opposed to going the way of most allocations to government research and development. Allocating large sums to research that benefits Nigerians, is what citizens of the country look forward to. Looking at the component breakdown, it is observed that the federal government intends to allocate 39.02% (or N46.83bn) of the total allocation to personnel spending. Overheads will be allocated 2.38% (or N2.85bn) and capital expenditure will take the major share of approximately 58.61% (or N70.35bn).



120.0bn

Science and
Technology



Capital Expenditure



70.3bn

Personnel



46.8bn

Overhead



2.8bn

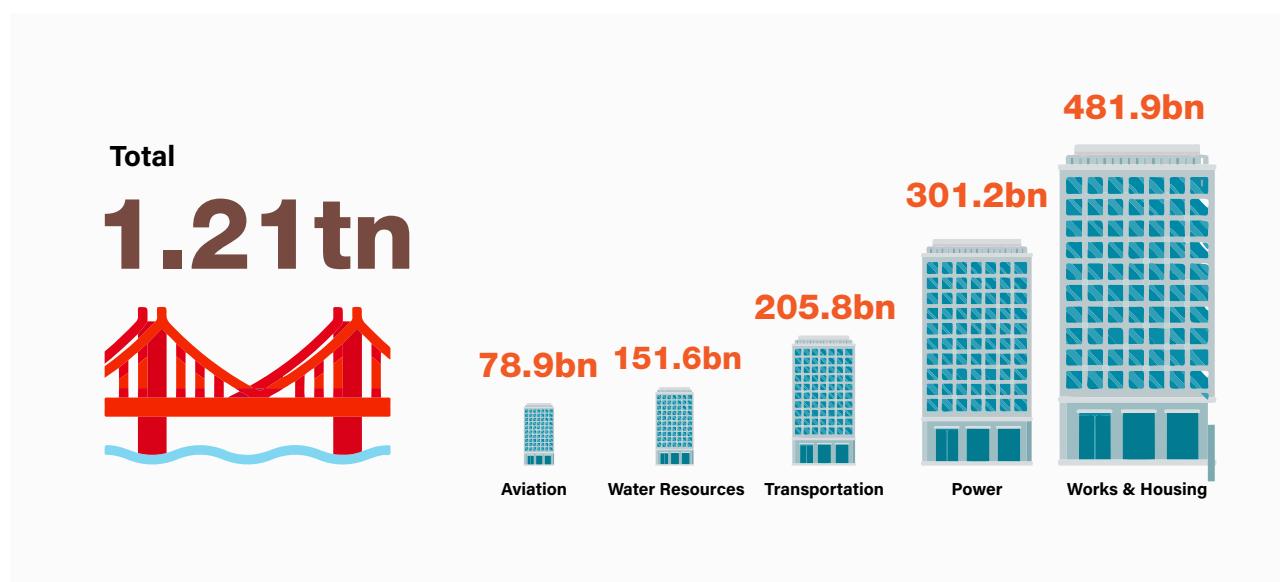
Works and Housing

The 2022 proposed budget allocation for the seven MDAs under the Ministry of Works and Housing is N481.97bn. In light of the existing huge infrastructure deficit, the Federal Government's budget for works and housing has been on a steady increase over the years. This year's budget was 34.36% larger than the 2021 approved budget of N358.71bn. Capital expenditure was prioritized over recurrent expenditure in the 2022 proposal as 93.37% of the budget, N450.03bn, has been earmarked for capital expenditure while N15.05bn and N16.89bn have been allocated to personnel and overhead costs respectively.

Construction and rehabilitation of roads took a large chunk of the 2022 budget proposal of the Ministry of Works and Housing as N162.72bn has been set aside for the construction/provision of roads and N104.65bn for the rehabilitation/repair of roads across the federation. In a similar fashion, N27.54bn has

been earmarked for the provision of housing units, N1.25bn for electricity, N10.83bn for the construction of office buildings, N500m for the rehabilitation of public schools, and N51.54bn for the provision of other infrastructure.

Interestingly, the Federal Government has proposed to spend N1bn on the provision of road signages and other road furniture on federal highways. This sum is twice the 2021 approved budget and 5.5 times the 2020 approved budget for provision of road signages and other road furniture on federal highways. Other key capital allocations in the 2022 budget proposal include a N6.3bn allocation to the rehabilitation and expansion of Lagos-Badagry expressway, N2bn for the rehabilitation of Odukpani-Itu-Ikot Ekpene Road, N2bn for the construction of roads in Borno State, N3.13bn for the furnishing of the federal secretariat in Nasarawa, Osun, and Ekiti, and N61.52bn for the upgrading and rehabilitation of Keffi-Akwanga-Lafia road.





05 Recommendation

1

No new overhead and capital allocations for indicted MDAs: All MDAs indicted by the country's Auditor General for misappropriations, irregular award of contracts, non-remittance of revenues and other infractions in past audit reports should not be allocated fresh funds for overhead and capital spending in 2022 budget until they have been cleared. This should be reflected either in the Audit Bill or an amended Fiscal Responsibility Act.

2

Include all omitted expenditure details for oversight: The National Assembly should review the 2022 budget to include allocations covering petrol subsidies, electricity subsidies, NDDC capital project breakdown and a breakdown of all other expenditures not currently captured in the budget proposal.

3

Reduce risk of abandoned projects: Some new, non-critical capital projects that cannot be completed with the budgetary allocations in the 2022 Budget should be removed and funds redirected to completion of ongoing projects in line with the MTNDP 2021 - 2025 to reduce the number of abandoned projects.

4

Slash allocations to inflated projects: Inflated projects identified should be reviewed downwards, allocations for projects that were padded into the capital budget, projects with misplaced priorities and duplicated projects should be revisited and potentially reallocated to priority issues.

5

Conduct compliance audits: Civil Society Organisations in collaboration with appropriate government agencies should conduct Compliance Audits to evaluate the degree to which the MDAs' budgetary allocations and actual implementation align with the MTNDP 2021-2025 and other standard rules and procedures of the budgeting process.



6

Reduce the deficit: The current deficit of N6.26trn which is currently 3.39% of the country's GDP should be reviewed downwards to bring it within the compliance limit of the 2007 Fiscal Responsibility Act and reduce the amount of borrowing the country would need to undertake in 2022.

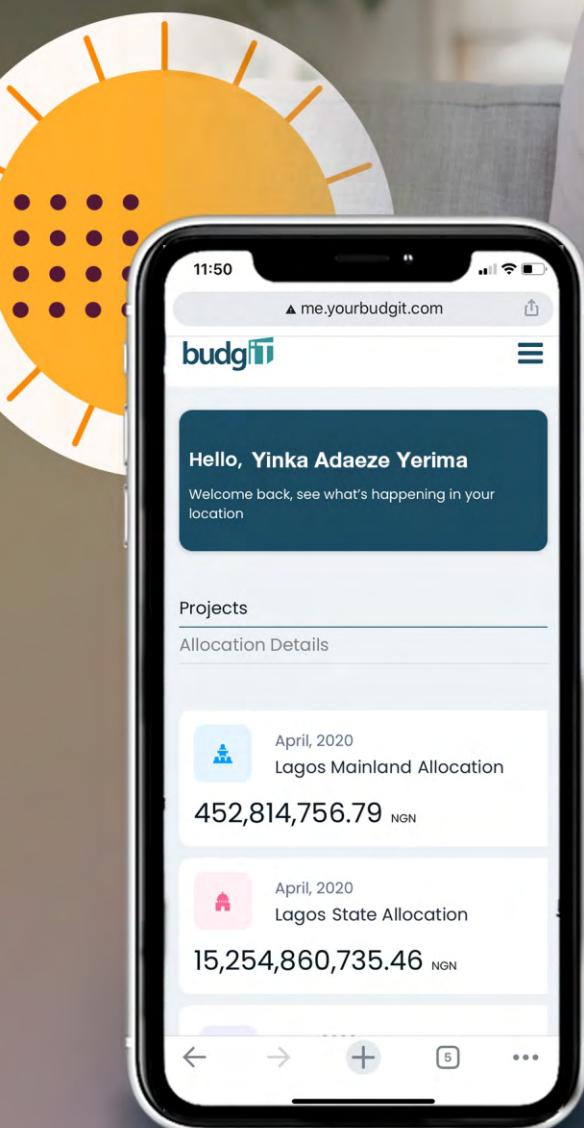


7

The Audit Bill should be passed as a matter of urgency, to empower the Auditor General with the resources and mandate to carry out Audits to inform the budget process.

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