

**AFRICAN CENTRE FOR LEADERSHIP, STRATEGY &
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ANALYSIS OF BAYELSA STATE BUDGET (2007-2011)¹

Introduction and Objectives

Budget is the translation in financial terms of government's policies; a fiscal estimation of what government plans to spend, where it plans to spend it and how it intends to source the funds. Going by the words of Agbakoba & Emelonye (2001)², the budget is a national plan that cuts across departmental boundaries and ties together all plans and projects.

Apart from other targeted poverty alleviation programs like food and housing subsidies, it is recognized that access to and provision of basic levels of education and healthcare (primary, secondary and tertiary); attending to gender affairs including water supply is central to increasing the welfare of the poor. Accessing the actual level and allocation of public expenditure is the key to understanding any government's true expenditure priorities and coherence with the government's policy objectives. This has been a long-standing problem in the economics literature i.e. the measurement of publicly provided goods to individuals and the society. The above task requires an analytical framework to organize data on the government's financial operations which will give insight to how and who benefited from such spending.

The issues of budget, budgeting and budget implementation in Nigeria have been on the front burner of national discourse especially at the state levels hence the budget question is no longer limited to "who gets what?" but how it is employed in governance in affecting the lives of the people. The criteria used for selecting the objects of public expenditure in Nigeria especially at the state levels remain equivocal aside from being confronted with limited financial resources. State governments including Bayelsa often make choices, perhaps arbitrarily, that are influenced by political pressure and with little consideration for the impact such choices would have on the quantity and quality of human life. The resultant effect is that the people for whom the government is supposed to work are impoverished and most times remain in abject poverty.

Based on the above, this brief analyzes Bayelsa state budget for 2007 – 2011 with special emphasis on the overall budget thrust and key sectors of HIV/AIDS, health, education, agriculture, water resources as well as gender. These sectors were chosen as a result of the strategic place they occupy in human development as evidenced in the Human Development Index (HDI) which is the measure of [life expectancy](#), [literacy](#), [education](#), and [standard of living](#) for countries worldwide. The brief in addition to the broad goal identified gaps in the budgetary process and allocation of resources in Bayelsa State; make recommendations to improve the budgetary process, allocation and how to improve the key sectors analysed. It also makes recommendations that will make the budgetary process contribute to meeting the MDGs and eradicating poverty and promoting good practice in the Budgetary Process in Bayelsa State drawing from experiences of other states and countries.

Bayelsa State: Geography, Political, Economic and Social

Bayelsa State was created on October 1, 1996 out of the old Rivers State. The state is geographically located within Latitude 04° 15' North, 05° 23' South and longitude 05° 22' West and 06° 45' East. The state population is projected at over 2 million by the end of 2011 with an annual growth rate of 2.9%. Bayelsa State is a major oil and gas producing area and it contributes over 30% of Nigeria's oil production. These are hundreds of oil wells and flow stations across the state. In addition to oil and gas, the State has large reserves of clay, sand and gravel's of importance to the industrial sector.

With all its potentials, Bayelsa state still suffers from myriad of problems including environmental issues such as soil degradation, oil spills and flooding which need to be addressed. Currently social amenities in the state are grossly inadequate. A high level of poverty is evident alongside poor health and high child mortality rate. High levels of unemployment, particularly among youths, contribute to social unrest, agitations and conflicts. Moreover, the exploration and exploitation of oil involves a number of activities that directly affect the lives of the oil-producing communities. This impact is not only limited to the physical environment with its sensitive and fragile ecosystem, but also the social and spiritual life of the communities. It affects for instance, their relationship with the land as farmers, the swamps and creeks as fishermen.

Bayelsa state according to Nworisara (2011)³ has a Human Poverty Index (HPI) of 32.5, occupying a middle position in the national ranking. Currently the state has a policy direction titled the Bayelsa State Sustainable Development Strategy (BYSSDS). Bayelsa State strategic development plan that is geared towards:

- Identifying all current development projects in Bayelsa State,
- Coordination and management as well as implementation of such projects and
- Reporting implementation progress

Bayelsa State Budget Philosophy and Thrust (2007-2011)

As a yearly event, the Bayelsa state government of Nigeria always presents a budget for every fiscal year and this budget is expected to achieve some goals at the end of every year hence 2007–2011 budgets were no exception. The philosophy behind the Bayelsa State Budget for 2007 was a budget of transition and reform; 2008 was a budget of sustainable development and empowerment; 2009 was a budget of consolidation and wealth creation while the state budget for 2010 was titled a budget of impact. Unlike the other years (2007-2010), the state 2011 budget is titled budget of consolidation. The thrusts, philosophy and purpose clearly show that these budgets were aimed at accelerating economic recovery through targeted fiscal interventions intended to further stimulate the economy and support private sector growth. Table 1 below shows the summary of the State revenue and expenditure for 2007 through 2010 and reveals some interesting insights to the state revenue and expenditure allocation. Other details for 2011 budget are presented at the later part of the report.

Table 1: Bayelsa State Revenue and Expenditure 2007-2011 (Billions of Naira)

	2007	2008	2009	2010	2011
<i>Revenue Items</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Internally Generated Revenue	4.00	9.30	15.34	4.41	5.51
% of IGR	2.57	4.98	7.99	2.35	3.4

	2007	2008	2009	2010	2011
Statutory Allocation	114.00	111.00	104.61	96.31	144.18
VAT	2.05	3.00	4.30	5.42	5.58
Capital Receipts	35.72	63.28	67.66	81.42	6.00
Total Revenue	155.77	186.58	191.91	187.56	161.27
Expenditure Items	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Personnel Costs	12.85	16.86	20.00	19.53	24.31
Overhead Costs	30.08	31.08	28.15	21.10	30.31
Total Recurrent Expenditure	42.93	47.95	48.16	40.63	54.63
Overhead Costs/Personnel Cost	2.34	1.84	1.41	1.08	1.24
Consolidated Revenue Fund	7.76	15.89	20.03	78.83	36.28
Contingency Fund	0.50	0.55	0.00	0.00	0.00
Capital Expenditure	104.58	122.19	123.72	68.10	70.90
Total Expenditure	155.77	186.58	191.91	187.56	161.823
Budget Balance (Surplus/Deficit)	0.00	0.00	0.00	0.89	-0.54

Source: Computed from Bayelsa State of Nigeria Approved Budgets (2007-2011)

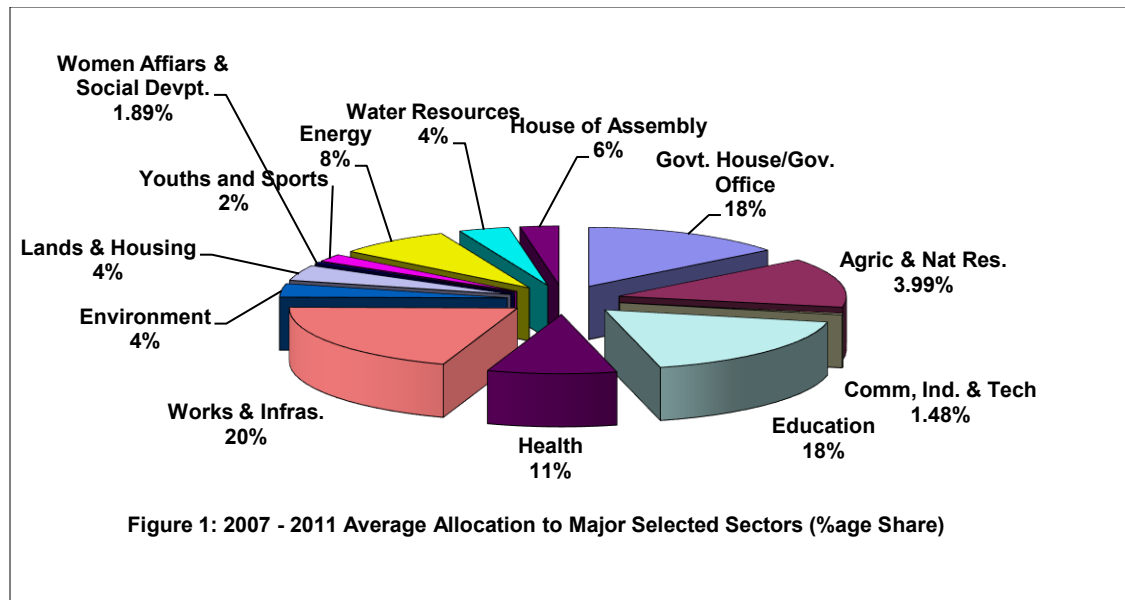
First is the Internally Generated Revenue (IGR) of the state ranges between 2-8% of the total revenue generation. This situation is not a plus to any state in Nigeria or elsewhere hence the need for intervention. Douglas (2010)⁴ suggested that a conventional and potentially viable source of revenue for the State Government areas in Bayelsa State is the establishment of fish farms if properly managed. **Economic diversification could also be emphasized through the development of the agro-allied processing, manufacturing, and other non-oil sectors to achieve a broader base for employment generation and wealth creation.** Such tenet will recognize that the Bayelsa people remain the focus of the Government's efforts, hence the commitment to sustaining investments in health and education to develop the human capital base.

Second is the level of recurrent expenditure including the overhead cost in relation to personnel costs in the state budget allocation in Bayelsa state between 2007 and 2011. Recurrent expenditures for the period range from 40% to 49% of the total budget expenditure. **A state with grossly inadequate social amenities and a high level of poverty as evident by poor health and high child mortality rate including high levels of unemployment, particularly among youths, which has contributed to social unrest, agitations and conflicts should have more of the budget expenditure directed to capital projects. Better financing through zero capital budgeting and planning of priority sectors such including agriculture, water resources; commerce and industry; health; education; power (electricity); infrastructure (roads, housing and urban development); gender affairs and social development would go a long way in tackling the above listed anomalies in the state.**

In summary, while the capital allocations may to some extent have reflected state agenda and MDGs priorities, it is important to ensure proportionality between allocations to personnel and overhead too. The size of personnel budget is indication of the ambit of service delivery duties/functions of the MDAs. **Where allocations to overhead are disproportionately smaller**

than those for personnel, efficient and effective service delivery may be impaired and may put the achievement of the overall budget targets/goals in jeopardy.

Figure 1 below presents the allocation breakdown for different sectors for the period looking at progress and trend as well as priority.



Analysis of the figure shows that government house cum governor's office received more budget allocation than agriculture, commerce and industry, women affairs and social development, environment and water resources from 2008 – 2010 and 2011 put together. This finding contradicts the philosophy and thrust behind the budgets for the period under review. Further analysis revealed also a sharp drop in agriculture allocation after 2007 and 2009 as well as water resources and commerce and industry, women affairs and social development and environment. **The sectors that maintained steady increases in terms of the percentage share of the budget allocation over the years were the *State House of Assembly, Government House, the Governor's office and Health*.** The implication of the above findings is that spending priorities contradicts the purpose, philosophy and thrust of the budgets while the trend (movement) *reveal a shift in priority which is not in tandem with the budget thrust and philosophy* during the period 2007-2011 in Bayelsa state. Further priority analysis of the allocation for the period 2007-2011 as presented in Figure 1 reveals that for the five years period only works and infrastructure attracted more share of the budget than Government House and Governor's office while it is also very clear from the figure that commerce, industry and technology, agriculture and natural resources, women affairs and social development, youths and sports, water resources, lands and housing as well as environment attracted allocation less than that of the state house of assembly. Similarly, a trend analysis show that the only sectors that maintained a continuous increase in their percentage share of allocation for the five years period were the *State House of Assembly, Government House, the Governor's office and Health sector*.

The above analysis in summary suggests that priorities as shown in the state budget may not be *people/policy/legal driven but government driven priorities* hence the sharp switches over the period without a look on the achievement so far. Such practice may also be as a result of not

looking at policies guiding the sectors which the budget should finance rather than the interest of the few (ruling class). There is the need to always ask the questions: *how has the budget performed in financing the policies as well as how has the budget provided funds for the attainment of the required obligations under the sector?* Unfortunately, the staggering evidence from the above table reveals that such question were not asked at any point before the next budget.

Health/ HIV/AIDS

The Bayelsa State Sustainable Development Strategy predicted that taking qualitative health care to the doorstep of every citizen and inhabitant of Bayelsa State and making the State the hub of excellent medical services will help not just in health outcomes but also in promoting health tourism. An analysis of the health sector budget for the period 2007-2011 reveals allocation worth over N40 billion for the period for construction and renovation of healthcare facilities across the state. **It is noteworthy that control of HIV/AIDS and other sexually transmitted diseases attracted only N200 million in 2007 and nothing more in 2008, 2009 and 2010 apart from the N500 million for the State Action Committee on HIV/AIDS (SACA) house. How then can the fight against HIV/AIDS be won if funding is unsustainable?** Also noteworthy is the fact that health sector budget in the state were full of construction while pharmaceuticals in the form of drugs and medical consumables attracted only N1 billion in 2007, N500 million in 2008, N400 million in 2009, N100 million in 2010 and N50 million in 2011. Such diminuendo of funding for drugs and medical consumables is an issue to be worried about because it will only aggravate the already high out-of-pocket (OOP) expenses incurred by Bayelsa state households. The implication of a very high level of out-pocket is that a significant proportion of the poor may be driven into destitution after paying for health care and a severe ill health that afflicts the breadwinner of the family may completely impoverish the family especially those who sell their labour on daily basis to provide food for their families. Also even the non poor may be impoverished by large random out-of-pocket payments arising from unanticipated ill health.

To ameliorate the high OOP, financial provisions shall be made for the poor and vulnerable groups in the form of direct payments, subsidies, paying for insurance contributions or any other methods (basic drug and medical consumables provisioning). Also social health insurance through the National Health Insurance Scheme (NHIS) shall be encouraged for all and expanded to cover the informal sector as a means of increasing resources for health, ensuring universal access to care and providing financial protection to the poor and vulnerable.

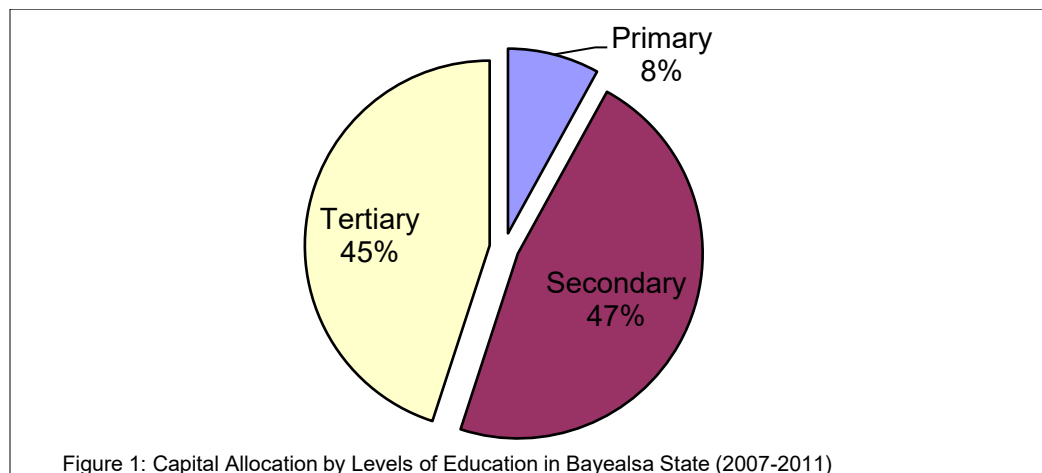
Also conspicuously omitted in the Bayelsa state budget (2007-2011) are issues and provision for mental health and dental health, immunization against the major infectious diseases and the provision of care during pregnancy and childbirth, including access to emergency obstetric care for mothers.

Education

Bayelsa State Sustainable Development Strategy recognised education as a major tool and a strategic lever for the socio-economic development of the state and for individual socio-economic empowerment and poverty reduction. The state's vision for education is to use education as a tool for the total socio-economic and political empowerment of every citizen of

Bayelsa, irrespective of gender, age, geographical location or terrain and tribe and to make Bayelsa economically vibrant and politically stable. The state education mission is to provide sound, educational policy for effective and efficient management of our schools, the provision of standard educational facilities to ensure equal access by all citizens and to reduce the level of illiteracy to its barest minimum.

Education statistics available at the state website shows that teacher-pupil ratio as at 2009 was 1:160 as against the 1:35 for the national policy and 1:30 for UNESCO. Yet with this situation less than 20% allocation went to the primary school with much of them lumped as same items with secondary education level. For the entire period teachers training and exchange programmes attracted less than N200 million. This finding contradicts the state education mission. The only capital allocation that will boost teachers appeared in 2007 as primary school teachers exchange programme with a miniscule allocation of N11.1 million; teachers training and retraining programme with an allocation of N30 million in 2010 and the establishment/development of Bayelsa State College of Education that attracted N300 million in 2011. The other line item which has no detail is the UBE World Bank assisted project counterpart funding for 2007, 2008 and 2009 valued at N130 million. Such findings showcase a clear misplaced priority in the primary school level (see figure 1 below for detailed capital allocation) of the state and one wonders what will be of the state education if the foundation (primary) is faulty. **This is a clear contradiction of the state education mission which is to use education as a tool for the total socio-economic and political empowerment of every citizen of Bayelsa, irrespective of gender, age, geographical location or terrain and tribe and to make Bayelsa economically vibrant and politically stable.**



There were several cases where primary and secondary education items are lumped together in the budget of education and total absence of construction locations in the budget. Such lumping and location absence are signs of transparency absence and may create room for funds embezzlement and misappropriation.

Agriculture

Bayelsa state is endowed with arable lands, rich and diversified marine life and an abundant forestry. Some of the agricultural resources would be delineated under Food Crops, Timber Trees and Non-timber Forest Products. Bayelsa state hopes to use the agriculture and the

commerce and industrial sectors to encourage the immediate stimulation of the Bayelsa economy through sustainable job creation. The sudden shift in priority after 2007 when 12% of the total capital budget was allocated to agriculture to 2008-2011 with 2%-6% capital allocation is an issue of concern.

It is commendable, the introduction of agriculture to primary school/NDE Programs, the introduction of green house (cultivation of vegetables) with Israeli support, roots & tuber expansion programme, construction of modern abattoir, construction of veterinary clinic and the farmers' subsidy but more have to be done if the targets of the sector must be met. Sustenance of the newly introduced programmes as listed above is also necessary.

Gender Affairs and Social Development

The Bayelsa State Sustainable Development Strategy identified ensuring a sustained improvement of the welfare of women, children, physically challenged persons and the aged as necessary in reducing social exclusion. An analysis of the state budget for the period 2007-2011 shows no significance budget allocation to realise this dream. Apart from construction of 58 two bed room flats for ex-lepers, provision of mobility aids, building of warehouse for rehabilitation relief materials, construction of Bayeksa stayalive centre, counterpart fund for women fund for economic empowerment, fencing gatehouse, landscaping and borehole at children home, equipping and furnishing of rehabilitation centres and the building of motherless babies home which attracted a total of N1.502 billion for the five years period, there were no evidence of allocation in other sectors that will help reduce social exclusion. **Evidence from further analysis shows that the state is still tackling gender and social development issues using the charity model whereby activities by society "help" disabled or vulnerable person or group, who is "helpless". The disadvantage with this model is the fact that disabled and vulnerable groups remain outside the boundaries of "normal" society hence is not encouraged. Bayelsa state should rather adopt the social model which sees all groups of people as part of society and should be included in all activities hence the society needs to change its perception on social development and this reflected in the budget. Issues around gender empowerment and social development should not be left for the Ministry of Gender Affairs and Social Development alone⁵ but should be included in all the MDAs line items just as the issue of HIV/AIDS as observed earlier in the health sector budget analysis.**

Water Resources

The State Ministry of Water Resources has as its mission to source, manage and make the state's water resources in order to provide potable and sustainable water supply for the wellbeing of the residents of Bayelsa State. Analysis of water supply capital budget for the period 2007-2010 shows allocation to different water supply schemes in the state to the value of N5.7 billion in 2007, N4.36 billion in 2008, N4.536 in 2009, N1.264 billion in 2010 and N1.2 billion for 2011. It is noteworthy that rural water scheme attracted N1 billion in 2011. The continuous decrease may make one to think that adequate water shortage problem in Bayelsa state has been dealt with a blow when the situation is on the contrary. NBS (2008) put access to drinkable water in Bayelsa to less than 50% hence it is a tremendous decrease in the budget allocation to water in the state. It is also noteworthy that issues around water sanitation and hygiene have little or no place in water supply capital allocation for the state during the period. The 7% capital allocation to sanitation and hygiene for the period was under the UNICEF sanitation and hygiene

programme. It should be remembered that better water, better education (especially for women), better nutrition etc., are important complementary factors leading to better health. The impact of better health services in part depends on these other influences. This implies that government should not treat any of this issue in isolation rather they should be handled collectively and comprehensively.

Recommendations and Conclusion

In the process of analysing the state budget, several issues and questions were raised both at the overall budget thrust as well as the sectoral analysis and possible recommendations were given at every level of analysis to help improve the budget and the budgeting process of the state. Generally the Bayelsa state budget fell short of international best practices and the following recommendations should help in addressing the gaps and shortfalls thus:

- Elimination of all forms of repetitions of line items with same amounts that abound in almost every MDA in the state which shows lack of transparency and weak legislative oversight function both at the enactment/approval and monitoring/evaluation stages of the budget process.
- Capital budget provision for planning, research and statistics in all the MDAs in the state should be encouraged.
- The adoption of the principles of zero budgeting than just incremental budget since zero budgeting is based on the evaluation of the sectors and their expenditure need i.e. budgeting process assuming that the sectors under consideration require a new budget outlay every year, according to the development in that sector. Zero budgeting is more development oriented and with the introduction of the Medium Term Expenditure Framework (MTEF) budgeting will be more focused and help in achieving the MDGs if implementation is carried out appropriately.
- Given the role of education and health in all spheres of development (social, economic and environment) there is need for an upward surge in allocation to act as tools for the total socio-economic and political empowerment of every citizen of Bayelsa, irrespective of gender, age, geographical location or terrain and tribe and to make Bayelsa economically vibrant and politically stable.
- Overall, current avenues for political participation are insufficient and consequently youth in many places are perceived as apathetic or disengaged. In Bayelsa therefore, the reform of political structures is necessary so that democracy may truly engage and utilize the populace. There is need for more young people breaking through the mold of traditional political avenues and moving beyond voting as their sole civic responsibility. This includes the release of timely, detailed information to allow the involvement of civil society and the media also.
- CSOs and other stakeholders participation can facilitate the strengthening of these linkages and ensure equitable and, in particular, gender and youth sensitive application. Civil society organizations can play an important role in complementing and substituting for the traditional social networks.
- Finally, the budget is an effort to continue the government's multifaceted and holistic approach to addressing the situation of unemployment and poverty in the state: ensuring security and also focusing on developing infrastructure, grass-roots empowerment, and the preservation and restoration of the environment should be highly encouraged in achieving this overall goal of the state.

Every sector budget including education must look at its *allocative and distributional efficiency* by answering the question: Are the right programmes being financed that will have the greatest impact? Answer to this question will help such sector make headway in achieving its set goals and targets. In conclusion, fiscal policy can foster growth and human development through a number of different channels. On the expenditure side, several categories of expenditure and expenditure policies influence long-run growth. Higher growth, in turn, generates greater *fiscal resources to finance spending on human capital*, further bolstering the dynamism of the economy.

ENDNOTES

¹ This Policy Brief was prepared by Dr. Uzochukwu Amakom of Economics Department, Nnamdi Azikiwe University, Awka, Nigeria with the assistance of Chukwuma Chijioko Dim.

² Agbakoba, O. & U. Emelonye 2001. “Test of Progressive Realization of Economic, Social and Cultural Rights in Nigeria (1990 – 1999 Budget Analysis)”, Lagos, HURILAWS, pp. 11

³ Nworisara, N. 2011. Harnessing the agricultural potentials of Bayelsa State, <http://shine.yahoo.com/channel/none/harnessing-the-agricultural-potentials-of-bayelsa-state-2451813>

⁴ Douglas, A. 2010. Stimulating Internally Generated Revenue in Bayelsa State, Date Published: 01/06/10, <http://www.pointblanknews.com/artopn2166.html>

⁵ A good example is the allocation of N400 million in the agriculture budget in 2009 for women empowerment in Agriculture.

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