ANAMBRA STATE 2014 BUDGET: LOOKING BACK AND LOOKING FORWARD

Centre LSD Policy Brief Series No. 12

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Background

It has been observed that the nature of public expenditure management including preparation, enactment, implementation and evaluation have become an obstacle towards the achievement of poverty reduction and equity goals. Fragmented budgets and exclusive focus on inputs have also been identified as among the factors that have undermined the ability of any budget system to discipline policy making and to facilitate performance feedback that would improve outcomes. This implies that the overall focus on inputs and activities during the budgeting process at the detriment of real outputs, outcomes and impacts (results) may be an impediment towards the final performances. To improve the final results requires constant and consistent examination of public budgets by citizens to understand if governments' allocations of public resources utilisation are in line with the commitments they have made. Therefore budgets and budgeting matter precisely because they are powerful policy tools with profound implications for social equity outcomes and hence ordinary citizens have the right to know and determine how public revenues are collected and spent.

However, in Nigeria just like many other countries, budgetary policy debates occur within relative exclusivity, leaving the majority of ordinary citizens, particularly the poor and vulnerable without a direct or sometimes even a representative voice. In Nigeria, this has become worse at the state level where even some members of parliament (legislators) have limited influence on decisions around allocation of public resources. People-centred budgeting is both about the content of budgets and the process of formulating budgets in ways that are transparent and participatory implying "Good Governance" which is what Anambra of African Centre For Leadership, Strategy & Development (CENTRE LSD) in partnership with other key organisations operating in the state. The other key partner organisations include: Christian Aid Nigeria; Development in Practice; Justice, Development and Peace Commission-Onitsha, Awka and Nnewi branches as well as Civil Rights Concern. The desire to make budgets more participatory and transparent in Anambra state has become the target of these organisations as part of a larger agenda of 'democratizing' the formulation of macroeconomic policy as well as social, human and environmental policy frameworks.

State of Nigeria is working to achieve through the effort

Anambra State, nicknamed "Light of the Nation", was created on 27th August, 1991 from the old Anambra State and is located in south-eastern Nigeria. The state derived its name from the Anambra River which is a tributary of the Niger River. The people of Anambra State are predominantly Igbos with a small group of Igala speaking people in the Anambra West LGA. The state occupies a landmass of 4,416 square kilometers and is located on the eastern plains of the River Niger. Anambra state comprises 21 Local Government Areas (LGAs) and 177 communities. With a population of 4,182,032 (2,174,641 males and 2,007,391 females) in 2006, the state population is projected to be 5,215,936 by the end of 2014 using the 2.8 population growth rate of 2006 census. The state has one of the highest population densities in Africa.

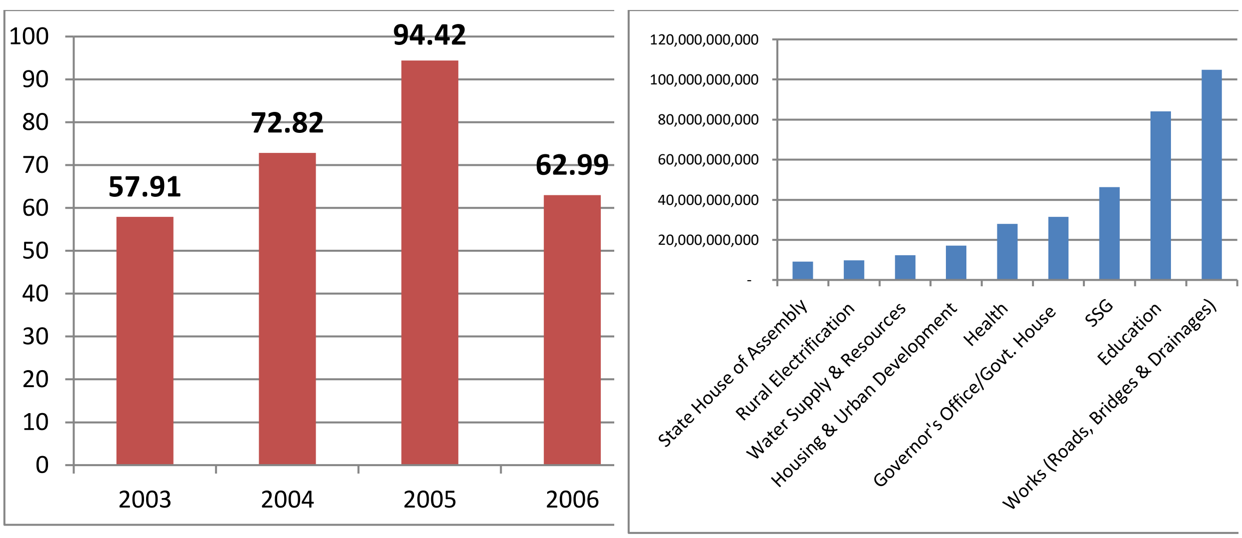
Budgets and Budgeting in Anambra State 2003-2013

Budgets and budgeting in the state in the last decade were drawn from different policy regimes. The period 2003-2007 saw the state aligning to the national policy National Economic Empowerment and Development Strategy (NEEDS) by adopting a State Economic Empowerment and Development Strategy (SEEDS) while the period 2007-2010 was guided by an 'All-point' Agenda as embodied called the Anambra Integrated Development Strategy (ANIDS) for the development of all sectors simultaneously. This was augmented by the State Strategic Plan to govern economic and social development for the period 2010-2013 alongside the State Vision 20:2020 in line with the national aspirations.

The overall effort of making budgets more participatory and transparent in Anambra state is necessary because budget performance reporting were not comprehensive as it does not reflect the full nature and extent of sources and applications of funds. Budget performance within the period 2003-2006 were marred by issues such as: the failure to indicate resource flow by programs and sub-programs; absence of standard budget classification and chart of accounts for use by all Ministries, Departments and Agencies (MDAs) for budget preparation and accounting; very weak medium term planning and lack of medium term fiscal framework to guide annual budget estimates; reporting of revenues on net basis which serves to undermine comprehensiveness and transparency; as well as MDAs inability to predict resource availability for capital investment which undermined their capabilities to successfully execute their budgets.

In the period, 2007-2013, there was a battle between what the true priority and paper priority of the state is as revealed by the budget allocations when compared with the priority provided in yearly budget speeches by the Executive Governor. A summary of the general picture of budget allocation for the entire ANIDS and Vision 20:2020 period (2007-2013) shows that the true budget priorities are in this order: Works (Roads, Bridges & Drainages); Education; office of Secretary to the State Government (SSG); Executive Governor's Office/Government House; Health, Housing and Urban Development; Water Supply and Resources; Rural Electrification; State House of Assembly; Commerce and Industry; Lands, Survey & Urban Planning; etc. See figure 1 below for budget performance of the period 2003-2006 which moved from 57.9% in 2003 to 94.42% in 2005 and down to 62.99% in 2006 as well as the consolidated top nine (9) priority sectors for the period 2007-2013.

Figure 1: Budget Performance 2003-2006 in % and Top Nine (9) priority sectors 2007-2013 (N)



Sources: Computed from figures given in the Anambra State Strategic Plan 2010-2013 and Anambra State Approved Budgets 2007-2013

Further analysis of the budget allocations ad the above figure for the period 2007-2013 reveals that the office of the Secretary to the State Government (SSG) attracted more funding than Water Supply & Resources, Rural Electrification, Lands, Survey & Urban Planning, Commerce and Industry as well as Public Utilities and Community Development put together while the office of the Executive Governor/Government House attracted more funding than Agriculture & Natural Resources, Rural Electrification and Water Supply & Resources put together for the same period. Such allocation and funding as reflected above to a large extent negates the budget philosophy and thrusts for the period 2007-2013 and hence may have inhibited the full achievement of a large, strong, diversified, competitive and sustainable state economy in other words integrated development which these allocations and funding have as their corner stones.

Anambra State 2014 Approved Budget at a Glance

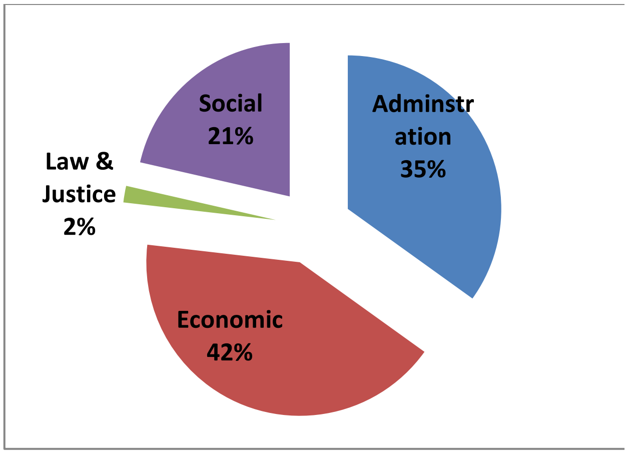
The 2014 budget with a total of N145.4 billion (29.02% recurrent and 70.97% capital) representing a 24% increase from the 2013 fiscal year was signed into law by the new Governor Dr. Willie Obiano titled **"Budget for the Family and Wealth Creation"** who highlighted in his speech the commencement of budget alignment to the economic focus areas "Economic Pillars" of this administration which includes: Agriculture, Industrialisation, Trade and Commerce as well as Oil and Gas. The Governor further explains the development model adopted by this current administration and the anticipated budget reforms thus:

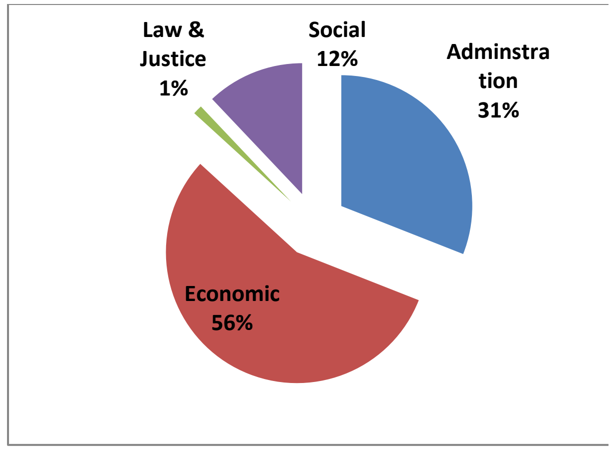
> ***"Our model for driving economic growth in Anambra is reflected in a wheel of progress. With successful implementation of initiatives developed around these economic pillars, we can sustainably deliver the dividends of democracy to our people such as good roads, an orderly and well secured society, employment opportunities and generally a mordenised society. So we must focus our energy and resources to being the best in the four economic pillars relative to other states and regions around us. Before the end of this administration, we will restructure our budget such that over 50 percent of the budget is spent on establishing enabling environment for the four pillars making it easy for investors and businesses to come in and excel here with resultant significant growth in Internally Generated Revenue (IGR) collected in the state. It will also enable us to effectively fund continued investment in achieving our MDG goals and capacity to deliver the dividends of democracy. "***

A careful look at the extract of the Governor's speech suggests that the incoming Governor is already aware of most of the challenges facing budgets and budgeting in Anambra State and is ready to tackle them head on. Such efforts are already being witnessed in the 2014 budget allocation which shows some improvement in the total allocation to the social sector as well as law and justice sector though the economic sector which is the main pillar of the current administration decreased significantly in comparison with the 2013 approved budget allocations while there is a further increase for administration (cost of governance) which has been a concern for different stakeholders in the state as depicted in figure 2 below:

Figure 2: Anambra State 2014 by Major Sectors

2014 **2013**





Source: Computed from Anambra State 2013 & 2014 Approved Budgets

Sectors	2014	2013
General Public Services	30,722,014,000	15,828,292,320
Public Order and Safety	773,174,000	263,065,634
Economic Affairs	47,955,566,000	50,178,633,517
Environmental Protection	2,665,000,000	643,293,618
Housing and Community Amenities	6,932,000,000	3,803,275,617
Health	5,088,000,000	796,897,218
Recreation, Culture and Religion	1,488,260,000	615,833,000
Education	7,171,986,000	2,790,485,785
Social Protection	399,000,000	245,370,000

Source: Anambra State 2014 Approved Budget

Further analysis reveals high nominal increases in budget allocations in comparison to 2013 in the following sectors: the general public services including executive and legislative organs, general personnel services, overall planning and statistical services, and other general services; Public order and safety (law courts); Environmental protection including waste management, waste water management, pollution abatement, and R&D[1] in environmental protection; Housing and community amenities including housing development, community development, water supply as well as R&D in housing and community R&D recreation culture, and religion; Education including primary education, lower secondary education, upper secondary education, subsidiary services to education and R&D in education; as well as Social protection including sickness, disability, old age, family and children, unemployment, housing, social exclusions as well as R&D in social protection. It is interesting to note that the only sector that had a nominal decrease in budget allocation in comparison to 2013

[1] R&D stands for Research and Development

amenities. See table for details. Other key sectors with a nominal increase in budget allocation in comparison to the 2013 budget allocations are: Health (R&D in health); Recreation, culture and religion including recreational and sporting services, broadcasting and publishing services,	fiscal year is the Economic affairs including: general economic and commercial affairs, agriculture, forestry, fishing, livestock and hunting, electricity, mining of mineral resources other than mineral fuels, manufacturing and road transport. Unfortunately economic affairs sector where agriculture, industrialization, trade and commerce as well as oil and gas which have been identified as the four economic pillars by the current administration is the only sector with less allocation that in 2013. This singular decrease in sectoral budget allocations must be corrected in subsequent years as it has contradicted the speech by the Governor thus: "As you can see, power, security, health, education, the use of modern technology in the civil service (called E-Government) and by the citizens, roads and other types of modern means of transportation, law, order and cleanliness as well as the SME sectors are enablers that will receive a huge proportion of our budget expenditure. These are areas that we must address to pave way for significant investments in the economic engines by the private sector." It is unfortunate that the above claims are somehow not adhered to in the 2014 approved budget.

2014 Approved Budget vis a vis the Last Decade (2003-2013) Approved Budgets

One of the most viable ways of alleviating poverty is through development financing in activities that will empower men and women alike. This is because the budget is a key government instrument for the execution of social, political and economic policies and priorities. The last decade witnessed a lack of commitment to the identified budget priorities and unfortunately the 2014 budget is already beholding a violation of the overall budget thrusts and philosophy judging by the true sectoral budget priorities instead of the priorities identified in the Governor's speech.

The thrust of every budget is important because it helps to analyse how every government undertake expenditures to pursue a variety of economic, social and political goals especially the two common social and economic goals of poverty alleviation and creation of an enabling environment for the private sector. Besides the targeted programs of food and housing subsidies, access to and provision of basic levels of education (primary and secondary) and preventive health care services have been recognized as central to increasing the welfare of the poor. The enabling environment for the private sector to thrive consists of adequate, properly regulated, well-maintained and efficient infrastructure, roads, electricity, telecommunications, water, waste disposal and other similar facilities which have been identified under the economic pillar of the current administration. Therefore, an appropriate mix of public spending is needed on equity and efficiency grounds if integrated development can be achieved in the state.

It is a disappointment that Anambra 2014 approved budget tows the line of incremental budget just as the past budgets in the last decade. Since her creation, there have been two contending issues. First is the issue of zero budgeting, and secondly, the issue of incremental budget. The former is a budgeting process based on the evaluation of the sectors and their expenditure need. Such budgeting process assumes that the sectors under consideration require a new budget outlay annually, according to the development target in that sector. The later allocates budgets to sectors as a function of the previous budgetary allocation hence an increment based on the last budget estimate of the sectors. Incremental budget therefore, is the marginal increase of the last budget plus the last budget. This process has been criticized for number of reasons and takes no account of who is in need (targeting by need) and how every additional resources spent can yield a corresponding improvement in human development (targeting by impact).

Another characteristic of incremental budgeting which has been witnessed over the years in states is a huge budget deviation (negative or positive). Because the process does not reflect the expenditure need of the sectors, there are possibilities that budgets are either over estimated or underestimated. For this reason, fiscal discipline and management cannot be guaranteed. Zero budgeting is more development oriented and with the introduction of the Medium Term Expenditure Framework (MTEF) budgeting will be more focused. The above increases witnessed in most of the sectors in 2014 budget may be as a result of the application of incremental budgeting practices and not due to careful planning. This can be proved because if the increases were as a result of careful planning and interests in the state priorities, the first sector that would have received a boost will be the economic sector where the current administration interests and focus is presently.

Anambra State Budget and Budgeting: The Way Forward

Budget implementation is one of the key instruments of public service delivery as well as moving towards development. Efficiency and effectiveness in public finance may simply refer to the analysis of relationships between inputs, outputs and final outcomes. This means that if the final outcomes cannot be reached, inputs, activities and outputs mean little or nothing. For the state budget to be able to achieve its targets there is the need to do the following:

- Aligning the state government plan(s) which set out state and sectoral objectives and policies with the availability of resources through a sound fiscal framework;
- Making sure that the budget preparation process has link with not just policies, but the achievement of objectives and meeting of targets within the available funds;
- The state should start laying more emphasis on improving sector performance through meeting its objectives and targets and not on control of inputs;
- Currently, both the recurrent and capital budgets are prepared on an incremental basis (adding a percentage to last year's estimates) without reviewing whether the activities that are being funded are in line with policy and whether it should be continued. There is the need to resort to "***zero budgeting principles"*** by carrying out a proper needs assessment and evaluation of the sectors and their expenditure need;
- During the last decade, activities continue from year to year without analysing if resources are declining and this led to underfunding and sometimes over funding of some activities. Proper forecast mechanisms should be put in place for better understanding of the relationship between activities and resource availability;

- The make-up of investment (capital) budget in the last decade contains large number of projects, making it more difficult to link the activities funded through the investment budget to the government's own priorities. Zero budgeting principles adoption will help to solve this problem;
- The budget performance reporting currently cannot be regarded as comprehensive as it does not reflect the full nature and extent of sources and applications of funds, and does not attempt to indicate resource flow by programs and sub-programs. There is the need to work on this;
- Reviewing and expanding the powers of the legislature to amend the budget if not in consonance with the best practices;
- Providing a meaningful opportunity for the legislature to make inputs to medium term budget policy formulation in collaboration with the CSOs;
- Establishing or enhancing budget research and analysis capacity in the legislature (serious minds and focused legislative aids). This can be achieved through the establishment of a Legislative Budget Office (LBO) to work closely with CSOs that have expertise in budget and medium term planning thereby helping to strengthen the understanding of legislature on economic policy, budget and gender issues through training and other capacity building initiatives;
- The introduction of the Medium Term Expenditure Framework (MTEF) seems to have been abandoned or weakened in the last three years. This must be revived because it will help MDAs to predict resource availability for capital investment thereby boosts their abilities to successfully execute their budgets.

Conclusion and Further Recommendations

Legislative oversight is nowhere more important than over the budget. The role of the legislature in Anambra state is to scrutinize and authorize revenues and expenditures, and to ensure that the state budget is properly implemented. How governance affects the wellbeing of the populace depends on spending patterns, the impact of policies on investment as well as on the ways that domestic priorities and choices interact with national and international economic and financial This can be achieved by educating and sensitizing the public about their rights and entitlements under public programs; by acting as a conduit to the government for public opinion and local experience; by influencing local agricultural development policies; and by helping government and donors fashion a more effective development strategy through strengthening institutions, staff training, and improving management capacity. CSOs can facilitate the strengthening of these The principal activities where CSOs can participate include promoting availability of budget information, budget transparency, and broadening societal participation. They can undertake capacity-building to promote awareness and understanding of public budgets among legislators, NGOs and citizen groups. Several organizations work to improve budget allocations and outcomes through advocacy work designed to influence budget priorities (allocations between and within major items of expenditure), the quality of implementation (the targeting of expenditures and trends. The Anambra State House of Assembly (SHoA) can introduce a new bill or strengthen the existing legislation that will take a significant step forward in establishing a more open budget process that provides more accountability, disclosure and sound financial principles. The legislation will modernize the budget process and bring it into the twenty-first century. This will be aimed at improving timelines, establish a binding revenue forecast mechanism, earlier start to the budget process, enhance transparency, and increasing transparency.

CSOs can utilize the services of effective community-based organizations, such as farmer associations or cooperatives, water user groups, and farm and other micro-credit and lending groups to improve budgeting and improve governance.

linkages and ensure equitable and, in particular, gender and youth sensitive application.

Government budgets have a central role in the planning and control of the country's economic activities and in particular for private sector development, which is necessary for employment creation. Budgets are important tools with profound implications for poverty reduction and social equity issues.

Civic engagement can contribute to government accountability by raising awareness and demand for transparency and for improved public service delivery. It also contributes to the integration of a pro-poor perspective into budgets and policies. Civil society is also aware of the needs of the most vulnerable members of society and can be a force of change for budgets to become more responsive to those needs. Civil society can thus effectively complement or assist in overcoming the weaknesses and failures of formal public institutions.

the proportion of the allocation actually expended) and the utilization of expenditures (how far budget allocations translate into physical outcomes, and the efficiency and effectiveness of expenditures). The major focus of civil society with regards to the poverty reduction process is the role of monitoring government commitment to implement government policies. They can use various strategies including evidence based research and policy studies; poverty assessments involving community based organizations; budget tracking/budget analysis studies as well as campaigns to inform its monitoring and advocacy work.

There is also the need to broaden access to relevant and high quality information on the budget to allow for sufficient inputs from different stakeholders. This should be done on time as it will help to reduce and remove frivolous items in the budget.

Items	2013	2014	%age Change
Opening Balance	74,083,236,405.23	46,508,801,229.10	-37.22
Statutory Allocation	62,833,356,713.99	56,600,000,000.00	-9.92
Independent Revenue	9,134,556,805.29	30,919,942,000.00	238.49
Capital Aid and Grants	84,849,613.98	46,580,102,004.00	54,797.25
Total Current Year Receipts	**72,052,763,133.26**	**134,100,044,004.00**	64.31
Total Projected Funds Available	155,698,575,013.68	180,608,845,233.10	16.00
Expenditure: Economic Summary			
Employees Compensation	8,232,511,715.51	17,739,600,000.00	115.48
Social Benefits	5,607,513,671.59	7,301,000,000.00	30.20
Overhead Costs	12,370,945,629.51	14,351,250,000.00	16.01
Repayment of External Loans	83,837,309.39	100,000,000.00	19.28
Repayment of Internal Loans		1,953,194,200.00	
Service Wide Vote	480,677,298.70	760,000,000.00	58.11
TOTAL RECURRENT EXPENDITURE	**34,024,627,075.30**	**42,205,044,200.00**	24.04
Capital Expenditure Programmes Summary			
Economic Empowerment Through Agriculture	617,908,607	5,272,467,000	753.28
Improvement to Human Health	796,897,218	5,088,000,000	538.48
Enhancing Skills and Knowledge	2,790,485,785	7,171,986,000	157.02
Housing and Urban Development	1,160,541,883	2,947,000,000	153.93
Gender	245,370,000	399,000,000	62.61
Youth	292,319,000	750,000,000	156.57
Environmental Improvement	583,111,618	2,600,000,000	345.88
Water Resources and Rural Development	2,642,733,734	3,985,000,000	50.79
Information Communication and Technology	353,231,683	868,379,000	145.84
Growing the Private Sector	10,663,555,303	5,020,910,000	-52.92

Items	2013	2014	%age Change
Reform of Government and Governance	16,313,326,432	32,912,258,000	101.75
Power	486,643,890	580,000,000	19.18
Road	38,219,021,557	35,600,000,000	-6.85
TOTAL CAPITAL EXPENDITURE	**75,165,146,709**	**103,195,000,000**	37.29

Source: Anambra State 2014 Approved Budget

We acknowledge the contribution of Dr. Uzochukwu Amakom of the Institute for Development Studies (iDS), University of Nigeria, Enugu Campus (UNEC), Enugu, Nigeria to the production of this policy brief.

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