

Strengthening Institutions to Improve Public Expenditure Accountability

NIGERIA: Program Budgeting Analysis on Education, Health and Water sectors



2012

The Centre for the Studies of the Economies of Africa (CSEA) received a five-year grant from the Global Development Network (GDN) for a project entitled 'Strengthening Institutions to Improve Public Expenditure Accountability'. This report presents findings for the first and second years of the project on the Program Budgeting Analysis of the budget of the Federal Republic of Nigeria for three critical sectors – education, health and water, from 2006 to 2012.

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Abbreviations and Acronyms

ASUU	Academic Staff Union of Universities
BOF	Budget Office of the Federation
CBN	Central Bank of Nigeria
CIDA	Canadian International Development Agency
CRF	Consolidated Revenue Fund
DfID	United Kingdom Department for International Development
EFA	Education for All
EU	European Union
FG	Federal Government
FIB	Freedom of Information Bill
FMF	Federal Ministry of Finance
GDP	Gross Domestic Product
HSDP	Health Systems Development Project
JSS	Junior Secondary Schools
MDA	Ministries, Departments and Agencies
MTEF	Medium-Term Expenditure Framework
NAFDAC	National Agency for Food and Drug Administration and Control
NBS	National Bureau of Statistics
NDHS	Nigeria Demographic and Health Survey
NEEDS	National Economic Empowerment and Development Strategy
NGO	Non-Governmental Organizations
NNWSSP	Nigerian National Water Supply Sanitation Policy
NPC	National Planning Commission
UBE	Universal Basic Education
UBEC	Universal Basic Education Commission
UNDP	United Nations Development Programme
UNICEF	United Nation Children Education Fund
UNIDO	United Nation International Development Organization
USAID	United States Agency for International Development
VAT	Value Added Tax
WHO	World Health Organization

Abstract

This report examines the Federal Government spending in the three (3) main social sectors of the Nigerian economy - Education, Health and Water, in five (5) distinctive categories over a period of seven (7) years. Rather than reviewing the budget for these three sectors in the format in which they are presented in the federal Government's budget, the report arranged the data according to major programs (following program budgeting approach). It analyzes the Federal Government's budget appropriation and implementation, revealing the performance of government expenditure in these sectors. The report also compares the federal government spending in terms of recurrent versus capital expenditures; wage versus non-wage expenditures and donor versus domestic expenditures.

This analysis shows that the Nigerian government apportioned more funds to the education sector and least to the water sector between the years 2006 to 2012 with the total sums of ₦1,700 billion and ₦258 billion (in 2006 prices), respectively. Compared with other countries, spending on education, health and water as percentages of GDP remain low; social indicators are poor and the allocation within sectors is not consistent with national priorities – MDGs and vision 20:2020.

Table 1: Total Federal Government Expenditure from the year 2006 to 2012 (in millions of naira)

	2006	2007	2008	2009	2010	2011	2012	Total
Education	206,272.94	210,869.54	246,851.15	215,728.38	197,085.61	281,302.82	342,419.94	1,700,530.39
Health	99,938.59	111,635.02	111,931.43	174,878.13	108,915.56	172,277.81	200,200.66	979,777.22
Water	78,156.41	46,040.74	39,476.97	15,467.32	8,456.61	9,776.80	61,575.64	258,950.48
Total	378,959.15	357,600.03	394,139.17	346,454.20	438,486.82	463,357.43	604,196.24	2,939,258.09

Source: CSEA staff estimates from the Program Budgeting Analysis

In general, it is observed that the Federal Government spent more on recurrent expenditure than on capital expenditure in all the three sectors. Furthermore, tertiary education received the highest allocation from the government for recurrent education expenditure. The study also shows that the government's allocation for recurrent expenditure in the water sector is the least in all the three (3) sectors and sub-sectors.

1.0 Introduction

Nigeria is the largest economy in sub-Saharan Africa, and the continent's most populous nation, with a population of over 170 million. Since 1960, it has realised over US\$1 trillion in oil exports and is currently the 8th highest net oil exporter in the world. Nigeria's economy is heavily dependent on oil and gas: oil exports constitute 97.5 percent of export revenues, 81 percent of government revenues and 17 percent of GDP¹. The majority of the population is engaged in agricultural activities, which constitute 42 percent of GDP, alongside smaller urban-based manufacturing and tertiary sectors. In spite of the enormous economic potentials in Nigeria, it has largely failed to live up to the ambitious growth projections that followed the first oil boom in the 1970s. In 2008, it was ranked 154th out of 179 countries by the United Nations Human Development Index. Furthermore, up to 70 percent of Nigerians are classified as 'poor' – subsisting below the national poverty line. Table 2 presents some general facts on Nigeria – GDP (in 2006 prices) since 2006 and population size from 2006 to 2013.

Table 2: General Country Data

	2006	2007	2008	2009	2010	2011	2012	2013
GDP (billions of naira)²	18,709.79	20,856.28	22,030.19	19,000.62	55,061	63,991	72,072	81,139
Population, total (millions)	144.72	147.98	151.24	154.56	158.42	162.47	170.12	177,15

Source: World Bank, IMF, World Fact Book & NBS (2014)

Nigeria is a federal republic with three tiers of government; the federal government, 36 states and a federally administered capital territory, and 774 local government councils, which all receive allocations from a pooled revenue fund according to an agreed formula. There is a National Legislature, comprising the Senate and Federal House of Representatives. At the sub-national level, each state has an independent House of Assembly, and there are legislative councils in the 774 local government areas. Since 1999, democratisation in Nigeria has thrown up a paradox of decentralisation without improved

¹World Bank (2008) [Nigeria-Country Brief]

² In 2006 Prices

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accountability; while states enjoy fiscal autonomy, and states' spending constitutes 50 percent of consolidated government expenditure, the national government has no oversight over their fiscal affairs, and the oversight function of state legislatures remains very weak.

Several strategic government agencies, such as the Federal Ministry of Finance, Budget Office of the Federation, National Bureau of Statistics, National Planning Commission, and the Central Bank of Nigeria publish reports and provide data and information on social services such as health, education and water, that can be freely accessed by members of the public from their official archives, or downloaded from official websites. However, there are severe constraints regarding the quality, timeliness and availability of data on public accounts and national finances in Nigeria. These weaknesses are further aggravated by the absence of a constitutional provision that guarantees free access of Nigerian citizens to data on the budget and national revenues. Public oversight at the sub-national level is even murkier, as state governors retain enormous control over revenue utilisation, and thus, the allocation of state patronage.

Nigeria has committed itself to economic reform since 2003, and a National Economic Empowerment and Development Strategy (NEEDS) was launched in 2004 by the then President Obasanjo. The reforms have resulted in macroeconomic stability and improved public expenditure management, privatisation of loss-making state enterprises, deregulation and liberalisation of strategic sectors, recapitalisation of the banking sector, and an internationally recognised anti-corruption initiative. Since 2006, the US\$1 billion annual savings from the debt relief granted to Nigeria have been channelled into a Virtual Poverty Fund for priority sectors – education, health, water, housing and HIV/AIDS. Social sectors have also received greater priority in national and sub-national budgets, in the drive to achieve the Millennium Development Goals (MDGs). The appointment of technocrats to key positions in the

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national government has also opened up the public space to ordinary citizens, and provided a gateway for the participation of civil society groups in budget preparation, monitoring and evaluation.

The budget process in Nigeria has four main stages, namely: drafting, legislative approval, implementation, and monitoring and evaluation. Usually, the budget process begins in June of the year preceding new financial year, with a Call Circular from the Ministry of Finance to the various MDAs of the federal government to send in their expenditure proposals given the estimated envelope³. In the proposals, line ministries, departments and agencies link their spending programs to the medium-term development priorities of the government as set out in the medium-term expenditure framework. The MTEF, which is prepared every three years, embodies government policies, revenue and expenditure projections and the strategic development priorities of the federal government in the next financial years. By October of the preceding year, a draft Bill is prepared by the Ministry of Finance and sent to the National Assembly via the Presidency. On approval of the budget by the National Assembly, the President signs the bill into law - the Appropriation Act. The signing of the budget into law paves the way for the budget implementation.

Budget implementation is conducted by various MDAs of the federal government. On a quarterly basis, funds for capital projects are released to the relevant spending MDAs based on allocations in the budget with revenues obtained from the CRF of the Federation. Since 2005, the Federal Ministry of Finance instituted a Cash Management Committee, which ensures that funds are available to enable smooth financing of the government budget and thus reduce discretionary borrowing from the overdraft (*'Ways and Means'*) account of the Central Bank or delays in completing government projects. The allocation of money toward the sectors is determined by the Budget Office/Federal

³ The Nigerian fiscal year covers the period 1 January to 31 December.

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Ministry of Finance based on their expenditure envelopes, which the National Assembly will approval after any adjustment.

There are 3 main funding sources of the federal budget: federal government's share of the federation account, VAT Pool account and independent revenue. The Federation Account gets 56 percent of the revenue accruable to the federation account. Also 14 percent of VAT pool and independent revenue, which is made up of revenues that accrue exclusively to the Federal Government from the operating surpluses, dividends from investments and other sundry revenue sources such as the sale of assets, are sources of funds to the Federal Budget.

However, as the preceding discussion illustrates, there are fundamental challenges regarding the management of public finances in Nigeria, and the accountability of public office holders. The *Strengthening Institutions to Improve Public Expenditure Accountability* project provides an invaluable opportunity to build on the modest gains of economic reforms in Nigeria by enhancing the capacity of Nigerian civil society groups to participate in the formulation and monitoring of Nigerian budgets. There are several important topics of this project, including Program Budgeting Analysis which is the focus of this report.

The Program Budgeting Analysis is the first analytical part of the Global Development Network's (GDN) and Results for Development (R4D) project on *Strengthening Institutions to Improve Public Expenditure Accountability*⁴. The goal of this analysis is to deepen stakeholders' understanding of the sources of funding and how money is allocated in the social sectors (health, education and water). This in-depth analysis of national spending across and within the social sectors would further enable stakeholders to assess the level of fiscal transparency and the effectiveness of service delivery in Nigeria. The PBA

⁴ CSEA is one of the 15 institutions in the developing world that participate in this DFID-financed project. One of the aims of the project is to develop consistent data sets for all 15 countries for cross country comparisons and analysis.

proceeds with an analysis of federal government spending on education, health and water, and this will be extended to two states in the second year of the project.

By extending this project to the sub-national level - an often neglected area, insights on public expenditure management by selected state governments in Nigeria will be provided. In sum, the thrust of the project is specifically geared towards the Nigerian context – it aims to open up the ‘budget space’ to Nigerian, enhance civic engagement with the budget process, and improve the efficiency of public expenditure on the social services sectors which are most relevant to the poor.

2.0 Methodology

This section describes the sources and methods of data collection and analysis used in this study.

2.1 Data Sources

The budgets of the Federal Government served as the major data source for the analysis. The BOF is responsible for budget preparation, monitoring and evaluation of budget implementation, as well as the fiscal policies of the Federal Government of Nigeria. It also keeps a record of budget data from which the final appropriations and actual expenditure figures used in this analysis were collated.

The project also relied on existing household surveys in Nigeria such as the Demographic and Health Survey (2004), the General Household Survey (2007 and 2008), the Living Standards Measurement Survey (2006), Nigeria Demographic and Health Survey (2008) and the World Health Statistics (2009).

These data were sourced from the National Bureau of Statistics.

The project also made additional reference to some secondary data sources such as:

- **Central Bank of Nigeria**

Data was also sourced from the Central Bank of Nigeria Annual Reports and Financial Statements for the Years Ended 31st December 2008 and 31st December 2010. These reports provided the state governments' expenditure data on the identified sectors of the economy.

- **National Planning Commission**

Data on the total contribution by foreign donors to the Education, Health and Water sectors of the economy for the years 1999 to 2007 were provided by the NPC.

2.2 Data Analysis Technique

The budget expenditure data of the three sectors for the years 2006 to 2012 were collected and classified into five different sub-sectors for each sector. These sub-sectors were further divided into recurrent and capital expenditure, wages and non-wages expenditure, and domestic versus donor expenditure sub-heads. The sum total of the various sub-heads, sub-sectors and sectors were then calculated.

Due to the inaccessibility to some Federal Government actual expenditure data, the actual recurrent expenditure had to be derived. However, only aggregated actual capital expenditure was available which was apportioned according to the percentage of individual sub-sectoral budget to the total budget for the sector.

The actual recurrent expenditure was derived following the comparison of recurrent budget expenditure to the actual expenditure in all three sectors from 1999 to 2005. This percentage was applied to yearly budget expenditure to estimate the likely actual spending for the same year. The percentage of each sub-sector and sub-head to the total budget figure was applied to the actual derived expenditure figures to arrive at the actual amounts of the corresponding values for the respective sector.

However in 2008, the ministries of Water Resources and Agriculture were merged. To derive the actual expenditure on water, the budget expenditure was separated based on the expenditure in each sector, Water and Agriculture. This ratio was applied to the actual capital expenditure to ascertain the proportional water expenditure.

All the derived figures for the three (3) sectors were converted to 2006 prices (real expenditure) by applying the average monthly consumer price index.

3.0 Sectors and Description of Funding Sources

Funding for the health, education and water sectors is largely provided for in the Nigerian Federal Budget and partly by contributions from international organizations such as the WHO, EU, UK DFID, USAID, UNDP, Water Aid, UNIDO, CIDA and the World Bank. Table 3 below summarizes the main sources of revenue accruing to the Federal Government of Nigeria from 2004 to 2010.

Table 3: Total Revenue of the Federal Government of Nigeria, 2004-2010 (in billions of Naira)

	2004	2005	2006	2007	2008	2009	2010	2011	2012*
Oil Revenue	3,354.8	4,762.4	5,287.6	4,462.9	6,530.6	3,191.9	5,396.1	8,879.0	10,654.7
Crude Oil/Gas Exports	1,498.4	1,995.7	2,074.2	1,851.0	2,251.4	897.8	1,696.2	2,287.9	1,780.9
Petroleum Profit Tax and Royalties	1,183.5	1,904.9	2,038.3	1,500.6	2,812.3	1,256.5	1,944.7	3,976.3	4,365.4
Domestic Crude Oil Sales	668.1	856.9	1,171.8	1,094.6	1,462.5	953.0	1,746.3	2,608.8	1,874.2
Other Oil Revenue	4.8	4.9	3.2	16.8	4.4	84.5	8.8	6.0	5.5
Non-Oil Revenue	623.2	857	773.4	1252.5	1336	1652.7	1907.6	2237.9	2628.8
Companies Income Tax	130.1	162.2	244.9	327.0	416.8	568.1	657.3	700.5	848.6

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Customs and Excise Duties	217.2	232.8	177.7	241.4	281.3	297.5	309.2	438.3	474.9
Value Added Tax (VAT)	159.5	178.1	221.6	289.6	404.5	468.4	562.9	649.5	710.2
Independent Revenue of the Federal Government	58.9	212.1	33.3	268.7	114.0	73.2	153.6	182.5	206.8
Education Tax	17.1	21.9	28.4	51.8	47.2	139.5	114.5	101.7	214.6
Custom Levies	40.4	50.0	67.5	74.1	72.2	98.5	103.4	156.8	161.5
National Information Technology Development Fund						7.5	6.8	8.6	12.3
Total Revenue (Gross)	3,978.0	5,619.3	6,061.0	5,715.5	7,866.6	4,844.6	7,303.7	11,116.9	10,654.7

Source: Central Bank of Nigeria.

* Provisional

3.1 Education

The Nigerian educational system is perceived by its citizens to be at low. Widespread public corruption has affected education in Nigeria, with implications for infrastructural development, modernization and rehabilitation of educational facilities. Nigeria's education outcomes and infrastructure have declined in recent decades following years of underinvestment and neglect, especially during military administrations. The poor performance of students in various national examinations and the low quality of graduates produced by tertiary institutions, further reveal the deplorable state of education in Nigeria. These outcomes affect the productivity of Nigerian graduates and limit their ability to compete in the global space. The outcomes of recent examinations, conducted by the West African Examination Council and the National Examination Council, the two institutions responsible for secondary school

final examinations, shows signs of a collapsing secondary school education system. The under-funding of the education sector is a big problem. Nonetheless, the Nigerian government has recently taken several important steps aimed at improving the quality of education in the country. Total Federal Government allocation for education has increased. Additional funds are also provided as a statutory transfer to the UBEC.

Though it is difficult to gauge total education expenditures because of the way the three-tiered federal system works, best estimates are that the country spends about 2 percent of GDP for education, less than half the percentage of GDP spent by most sub-Saharan Africa countries on average.

The education sector receives the majority of its funding from the Federal Government Budget (the national budget), which makes provision for the education sector in its Statutory Transfers, as an allocation to the UBEC, as well as in the allocation to MDAs. The UBEC is entitled to 2 percent of the Federal Government revenue⁵ to enable it to pursue its free nine (9) year basic education program. Basic Education is the 9-year free and compulsory education provided to all children aged 6-14. Primary education is defined as the six year program given to children 6 to 11 years old and is the first part of the nine year basic education program, while JSS is the second part of the UBEC program and is for three years. Basic Education was designed to improve the primary and junior secondary educational standard for the Nigerian children and provide additional infrastructure; advocate and mobilize for mass participation; provide instructional material; train and re-train teachers; and make the curriculum more responsive to national needs.⁶

⁵ Federal Ministry of Finance (2009), *A Citizen guide to understanding the Nigerian budget 2009*, Federal Ministry of Finance

⁶ National Technical Working Group (2009), *Report of the Vision 2020 on the Education Sector*, Nigeria

Foreign organizations also make contributions to this sector. In the year 2008, various international organizations made contributions to the education sector up to the tune of ₦39,346 million, which is 7 percent of the total spending on education by all levels of government and foreign donors

3.2 Health

The health status of the Nigerian population is relatively low, due to poor quality of services and inefficiencies in the public health sector. Nigeria performs poorly in terms of key indicators of health and well-being such as infant and child mortality, maternal mortality and morbidity rates. Again, preventive health care practices remain very poor in Nigeria. In many cases, Nigeria's health indicators are comparably worse than indicators for some of the least developed countries in Africa. For example, UNICEF notes that Nigeria ranks second in maternal deaths in Africa, only slightly behind the Democratic Republic of Congo.⁷ Tables 4 to 7 highlight Nigeria's health statistics and the main causes of illness and death.

Table 4: Nigeria – Demographic and Health Statistics (2006)

	Nigeria	SSA
Population (millions)	140	762.3
Life expectancy at birth (years)	47	51
Under-5 mortality (per 1000 live births)	189	146
Maternal mortality (per 100,000 live births)	800	...
Fertility rate (births per woman)	5	5
Births attended by skilled health staff (% of total)	...	45
Immunization, measles (% of children ages 12-23 months)	62	73
Contraceptive prevalence (% of women ages 15-49)	...	23
Prevalence of HIV, total (% of population ages 15-49)	3	5

Sources: World Bank, World Health Organization, Nigeria National Bureau of Statistics

Healthcare services in Nigeria are delivered through two (2) major mechanisms; government (public institutions) and the market (private sector). Provisions of health care are strictly viewed as merit goods, but the government still underprovides these services in many ways. Besides, the services

⁷ UNICEF (2009), 'The State of the World's Children 2009', Geneva: United Nations

offered by government institutions are usually of poor quality. This poor quality outcome is often attributed to lack of appropriate targeting strategies for reaching the poor, poor implementation of the government's public spending programs, low levels of public funding and neglect by the appropriate authorities. At best, government tends to concentrate spending on hospital wages.

Health facilities in the private sector are not generally accessible to the poor, and private hospitals mainly cater for middle income and high income households. Though government spending on health is the largest component of financing in the health sector, household spending is comparatively substantial. Household expenditure, as a share of GDP was around 0.20 percent and approximately 11 percent as share of total sector spending on health by all levels of government and foreign donors in 2008 (see Table 8). As earlier mentioned, these figures mainly represent expenditures by the high income groups. Another mechanism for delivering healthcare services is the non-profit health institutions (NGOs). Through donor support, many health NGOs have been established to increase the availability of health care services, especially in the area of primary health. The health facilities in non-profit health institutions are usually for the low income and most vulnerable groups.

Table 5: WHO Regional Health Statistics

	Children aged <5 years underweight for age (%)	Under-5 mortality rate (probability of dying by age 5 per 1000 live births)	Maternal mortality ratio (per 100 000 live births)	Contraceptive prevalence (%)	Antiretroviral therapy coverage among people with advanced HIV infection (%)	Malaria mortality rate per 100 000 population	Children aged <5 years sleeping under insecticide-treated bed nets (%)	Tuberculosis treatment success under DOTS (%)	Access to improved drinking-water sources (%)	Access to improved sanitation (%)
Ghana	13.9	115	560	25.2	15	109	22	76	80	10
Congo	11.8	125	740	44.3	17	124	6	53	71	20
South Africa	no data	59	400	60.3	28	<1	no data	74	93	59
Nigeria	27.2	189	1100	12.6	26	156	1	76	47	30
WHO regional average		145	900	24.4	30	104	14	75	59	33

Source: World Health Statistics, 2009

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The World Health Statistics Report 2009 shows that Nigeria ranks below the regional average in malaria mortality ratio and maternal mortality ratio per 100 000 population and live births respectively.

Table 6: Nigeria – Causes of Death in Children Under-5 years (2000-2003)

Causes	Deaths (%)
Neonatal causes ^a	26
Malaria	24
Pneumonia	20
Diarrheal diseases	16
Measles	6
HIV/AIDS	5
Injuries	2
Others	1
Total neonatal deaths	100

a./ Includes diarrhea during neonatal period

Source: World Health Organization

Provision of health care services in Nigeria is the concurrent responsibility of all three tiers of government (federal, state and local). Primary health care encompasses services such as prevention and treatment of local endemic diseases, immunization, maternity and nutrition programs etc. Secondary health services involve outpatient and inpatient services for general medical and surgical services.

Table 7: Nigeria – Causes of Death, All Ages (2002)

Causes	Deaths (%)
HIV/AIDS	16
Lower respiratory infections	11
Malaria	11
Diarrheal diseases	7
Measles	6
Prenatal conditions	5
Tuberculosis	4
Cerebrovascular diseases	4
Ischaemic heart disease	3
Whooping cough	2
Others	31
TOTAL	100

Source: World Health Organization

Tertiary health care involves additional specialist services such as orthopedic, psychiatry, and ophthalmology services. Local governments are primarily responsible for the delivery of primary health care services, while state governments oversee secondary and tertiary healthcare in district and general

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hospitals. Tertiary hospitals, such as specialist teaching hospitals, are administered by the Federal government. Federal medical centres complement the teaching hospitals, and are also administered by the federal government. In practice, however, there has been some recent blurring of these boundaries with both the Federal and State governments sometimes providing primary health care services⁸.

The Health Sector receives most of its funds from the national budget and from international organizations. There appears to be surge in interest in this sector as more international organizations are donating towards the improvement of health standards in the country. These foreign organizations include: UK DFID, USAID, EU, UNDP, WHO, UNICEF and CIDA. Donor contributions to the Nigerian health sector stood at ₦135, 554 million⁹ in 2008 which is 34 percent of the total spending on health by the government and foreign donors.¹⁰ In addition, the World Bank has been supporting the federal government and 36 states of the Federation in the area of maternal and child health care. In 2002, the Bank approved a credit in the amount of ₦18, 036 million for HSDP. The project is aimed at supporting the country in redressing the serious deterioration in the basic health care services, and to pave the way for a more sustained development of the health care system. As of May 2008, the sum of ₦16, 383 million or 91 percent of the total project credit agreement had been disbursed. The key performance indicators suggest that the project has met its intended targets, including a positive impact on systems strengthening at the state level. In addition, the project had delivered 1,329 Primary Health Care Centres to populations that previously had no access. At the federal level, the project has supported 14 medical centres out of 23 centres established to serve as referral to secondary health care¹¹.

⁸ Osafo-Kwaako, P. and Apampa, S. (2009) 'The Political Economy of the Budget Process', CSEA Background paper No. 1

⁹ Estimated figures for the Program Budgeting Analysis

¹⁰ National Planning Commission (2008), *A Review of Official Development Assistance to Nigeria 1999-2007*, National Planning Commission, Abuja.

¹¹ World Bank (2008), Project Paper on Proposed Additional Financing to the Federal Republic of Nigeria for a second Health Systems Development Project

3.3 Water

Water is a natural resource that has no substitute. This is often taken for granted until faced with shortages and drought. In recent years, Nigeria has experienced flooding, drought and urban water shortages which have underlined the need for the rational planning of water resources.

The National Water and Sanitation Policy Program divide the responsibility of water supply in Nigeria between the Federal, State and Local Governments. The Local Governments are in-charge of the establishment, operation and maintenance of rural water supply schemes in their communities. They are also responsible for establishing, equipping and funding the Water and Environmental Sanitation Departments. The State Government is responsible for the supply of water to urban and semi-urban areas, while the Federal Government has jurisdiction over shared water resources, large dams, formulation and implementation of policies for overall water resources management.

There is currently no standard body that supervises the quality of drinking water in the country. Only purchasable potable drinking water is regulated by the National Agencies for Food and Drug Administration and Control (NAFDAC), other sources are not regulated. Drinking water is sourced from domestic piped taps, community taps, springs, wells and water suppliers (tankers). The poor often get drinking water from community taps, springs, rivers, hand-dug well and in most cases, buy from water suppliers/vendors. This leads to the poor paying more than the rich in the society.

The rich on the other hand, enjoy subsidized tariffs on water consumption, which should actually be targeted at the poor to help alleviate their suffering and cushion the effect of their relatively high expenditure on social amenities.

The table below presents the distribution of drinking water to households and population by source in 2008.

Table 8: Drinking Water by Households and Population

Characteristics	Household			Population		
	Urban	Rural	Total	Urban	Rural	Total
Source of drinking water						
Improved source	75.1	45.3	55.9	75.4	43.6	54.2
Piped water into dwelling/yard/plot	7.2	1.4	3.4	7.9	1.5	3.6
Public tap/standpipe	12.7	4.1	7.2	12.2	3.6	6.5
Tube well or borehole	38.2	22.4	28.0	37.8	21.0	26.6
Protected dug well	14.5	13.2	13.6	14.9	13.7	14.1
Protected spring	0.5	0.7	0.6	0.6	0.6	0.6
Rainwater	1.9	3.6	3.0	1.9	3.1	2.7
Non-improved source	14.6	53.4	39.6	16.9	55.5	42.6
Unprotected dug well	6.1	21.7	16.2	7.6	24.5	18.9
Unprotected spring	1.1	4.7	3.4	1.1	4.8	3.6
Tanker truck/cart with small tank	2.8	1.0	1.7	3.3	1.0	1.8
Surface water	4.6	26.0	18.4	4.8	25.2	18.4
Bottled water, improved source for cooking/washing	6.0	0.4	2.4	4.4	0.3	1.6
Bottled water, non-improved source for cooking/washing	0.9	0.2	0.5	0.7	0.1	0.3
Other sources	3.3	0.7	1.7	2.7	0.5	1.2
Total	100	100	100	100	100	100

Source: Nigeria Demographic and Health Survey, 2008

From the figures presented in Table 8, only 56 percent of households in Nigeria have access to improved sources of water. However, 75 percent of households in urban areas and 45 percent of households in the rural areas have access to improved sources of water. Also, the survey indicates that around 43 percent of Nigerians get their drinking water from non-improved sources and more than half of Nigerians (56 percent) living in rural areas draw water from non-improved water sources. While 31 percent of Nigerians have access to water on their premises, only 23 percent of Nigerians in rural areas have access to water on their premises. Also revealed in Table 8 is that 85 percent of households do not treat their water, while only about 10 percent of households use appropriate methods to treat their drinking water.

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The Federal Government provides funding for the water sector through its budgetary allocation to the Ministry of Water Resources. International organizations such as Water Aid and the European Union also provide funding for the provision of water, especially in rural areas. According to the National Planning Commission report, a sum of ₦373 million was invested by international agencies in 2008, which is 0.38 percent of the combined total spending by government and foreign donors on water for that year.¹²

4.0 Assumptions

Due to the unavailability of key budget data, several assumptions were made to facilitate the program budgeting analysis. They include:

- **Actual Recurrent Expenditures:**

The actual recurrent expenditure figures were derived from the application of the historical average of the budget expenditure to actual expenditure of past years - 1999 to 2005.

- **Universal Basic Education Commission:**

This commission is mandated to provide free and compulsory basic education to every Nigerian child. To support the commission in carrying out its mandate, the Nigerian budget makes two provisions for the commission, firstly, as a statutory transfer from the federation account and secondly in the budget of the Federal ministry of Education, as a capital expenditure.

(1) This commission and its allocations were recognised under the primary education category of this analysis. The amount received as statutory transfer was apportioned to non-wages and capital expenditures in accordance to the stipulated expenditure criteria.

¹² National Planning Commission (2008), *A Review of Official Development Assistance to Nigeria 1999-2007*, Abuja

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The second allocation under the Federal Ministry of Education was recognized as a capital expenditure.

- **Foreign/Donor Funding.**

The National Planning Commission Report, A Review of Official Development Assistance to Nigeria 1999 to 2007, provided the aggregate of donor contribution to these sectors. However, the same level of commitment from international donor organisations was assumed and applied.

- **Actual Expenditures**

The percentage of each sub-sector's budget expenditure to the total budget expenditure of the sector was applied to the aggregate actual expenditure of the same sector, to derive actual expenditure of each sub-sector.

- **Consumer Price Index.**

The average of the monthly consumer price index of the year 2006 (sourced from the National Bureau of Statistics), was used (as the base year) to calculate the real expenditure of the analysis.

- **2008 Total Households.**

A constant rate of increase was assumed to derive the 2008 total household figure. From the National Bureau of Statistics, only data on total households in 2006 and 2007 were available. The percentage increase on the 2006 total household figure to the 2007 total household figure was calculated and applied to the 2007 figure to derive the total household figure for the year 2008.

5.0 Results and Discussion

Since 2004, Nigeria has embarked on various reform programs aimed at targeting government expenditures within a well defined development strategy. In the MTEF and various fiscal strategy papers, education, health and Water are frequently recognized as top priority sectors. The idea is that governments can only fast-track development by achieving a critical mass in these sectors. These sectors are also the main targets of the MDGs.

Overall, the program budgeting analysis shows that the Federal Government devoted more financial resources to the education sector than to the health and water sectors. A total sum of ₦1,700 billion (real expenditure in 2006 prices) was spent between the years 2006 and 2012¹³. This expenditure was primarily in the Tertiary Education sub-sector, with a total of ₦1,082,968 million¹⁴, followed by the Primary Education with ₦278,386million, Ministerial and Regional Administration with ₦170,103 million, Secondary Education with ₦153,766 million and Other Education with ₦35,588 million. It was observed that an annual average of 79 percent¹⁵ of total government expenditure on education is on recurrent items.

The education sector is followed by the Health sector with a total sum of ₦513,192 million¹⁶. The breakdown reveals that the Federal Government provided more funds to the Hospital sub-sector, followed by the Health Centre/Dispensary, Ministerial and Regional Administration, Preventative and Other Health sub-sectors, respectively. It was also observed that the government committed almost two thirds (67 percent) of funds to recurrent expenditure, the majority of which was for wages (93 percent)¹⁷.

¹³ This is the sum of the total education expenditure from the year 2006 to 2012.

¹⁴ Total Education Expenditure by facility level for the years 2006 to 2012

¹⁵ Average percentage of recurrent expenditure to total expenditure in the Education sector for the years 2006 to 2012

¹⁶ Total Health (real) expenditure between the years 2006 and 2012

¹⁷ Average percentage of non-wages expenditure to recurrent expenditure between the years 2006 and 2012

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The water sector recorded the least amount of government expenditure with the sum of ₦258,950 million¹⁸ over the analyzed years. In this sector, government is observed to have invested more on capital projects, totalling to the sum of ₦224,608 million over the period.

The results for each sector are now discussed as follows:

5.1 Analysis of Education Sector Expenditure

The Education sector is classified into five (5) sub-sectors namely; Primary, Secondary, Tertiary, Other Education and Ministerial and Regional Administration. The overall results show that federal government concentrates capital spending in other education and ministerial/regional administration sub-sectors. On the other hand, recurrent spending dominated government expenditures in the secondary and tertiary/university sub-sectors. While capital spending may have maintained an upward trend in the secondary school sub-sector, the share of capital spending remained low on average. For tertiary/university sub-sector, the share of capital fluctuated between 9 percent and 14 percent, with recurrent spending as high as 92 percent and 91 in 2007 and 2012, respectively. The low capital spending in these sub-sectors may then be partly responsible for the poor outcomes mentioned in the previous section. The share of recurrent spending in the primary education sub-sector fell from 15 percent in 2008 to 14 percent in 2011, while capital spending maintained an opposite trend – from 85 percent in 2008 to 86 percent in 2011 (these results are presented in Tables 9 & 10).

¹⁸ Total Water Expenditure for the years 2006 to 2012

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Table9: Federal Government Recurrent and Capital Spending by Facility Level, Amount Education (in millions of naira & 2006 prices)

Education	2006	2007	2008	2009	2010	2011	2012
Primary	37,213.41	35,269.75	45,315.48	31,299.19	34,382.81	46,736.73	49,340.66
Recurrent	5,582.01	5,290.46	6,797.32	4,694.88	4,634.80	6,470.37	6,858.99
Wages	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non-wages	5,582.01	5,290.46	6,797.32	4,694.88	4,634.80	6,470.37	6,858.99
Capital	31,631.40	29,979.29	38,518.16	26,604.31	29,748.02	40,266.36	42,481.67
Domestic	31,631.40	29,979.29	38,518.16	26,604.31	29,748.02	40,266.36	42,481.67
Donor	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Secondary	19,259.64	22,914.40	23,291.44	20,228.68	20,866.20	21,490.57	26,430.36
Recurrent	15,464.98	16,921.25	16,477.67	13,863.28	14,327.48	17,831.73	19,284.90
Wages	10,173.37	10,249.80	9,881.57	8,132.66	7,008.42	10,496.07	12,428.18
Non-wages	5,291.62	6,671.45	6,596.10	5,730.62	7,319.06	7,335.67	6,856.72
Capital	3,794.65	5,993.15	6,813.77	4,630.51	6,538.72	3,658.84	7,145.46
Domestic	3,794.65	5,993.15	6,813.77	4,630.51	6,538.72	3,658.84	7,145.46
Donor	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tertiary/University	124,863.11	130,866.65	149,229.40	136,764.78	126,382.32	186,786.59	232,405.15
Recurrent	108,864.54	117,649.88	125,981.88	123,829.10	110,034.02	169,142.30	210,999.99
Wages	102,564.34	107,764.06	117,499.38	118,205.95	103,041.54	162,613.13	202,421.42
Non-wages	6,300.21	9,885.82	8,482.49	5,623.14	6,992.48	6,529.17	8,578.56
Capital	15,998.57	13,216.77	23,247.53	12,935.68	16,348.30	17,644.28	21,405.17
Domestic	15,998.57	13,216.77	23,247.53	12,935.68	16,348.30	17,644.28	21,405.17
Donor	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Education	2,086.15	1,084.00	1,841.01	27,435.73	441.08	1,170.26	1,544.99
Recurrent	318.58	398.98	447.88	13,243.22	321.65	443.55	889.21
Wages	245.12	252.60	286.48	9,983.02	189.51	287.39	730.01
Non-wages	73.46	146.38	161.40	3,260.20	132.14	156.15	159.19
Capital	1,767.56	685.02	1,393.13	14,192.51	119.43	726.71	655.78
Domestic	1,767.56	685.02	1,393.13	14,192.51	119.43	726.71	655.78
Donor	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ministerial and Regional Administration	22,850.63	20,734.74	27,173.82	20,275.99	22,004.53	25,118.67	32,698.78
Recurrent	10,416.90	12,513.28	14,803.09	11,667.68	11,063.77	16,126.10	17,100.69
Wages	8,079.39	9,505.41	10,754.71	8,673.14	8,525.91	13,207.04	14,875.25
Non-wages	2,337.51	3,007.88	4,048.38	2,994.54	2,537.86	2,919.06	2,225.44
Capital	12,433.73	8,221.46	12,370.73	8,608.31	10,940.76	8,992.57	15,598.09
Domestic	12,433.73	8,221.46	12,370.73	8,608.31	10,940.76	8,992.57	15,598.09
Donor	0.00	0.00	0.00	0.00	0.00	0	0

Source: CSEA staff estimates from the Program Budgeting Analysis.

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Table 10: Federal Government Recurrent and Capital Spending by Facility Level, Percentage (%) - Education

Education	2006	2007	2008	2009	2010	2011	2012
Primary							
% of Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Recurrent	15.00	15.00	15.00	15.00	13.48	13.84	13.90
Capital	85.00	85.00	85.00	85.00	86.52	86.16	86.10
% of Recurrent	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Wages	78.62	66.09	78.62	0.00	0.00	0.00	0.00
Non-wages	21.38	33.91	21.38	100.00	100.00	100.00	100.00
Secondary							
% of Total	100.00	100.00	100.00	91.42	100.00	100.00	100.00
Recurrent	83.30	78.74	73.43	68.53	68.66	82.97	72.96
Capital	16.70	21.26	26.57	22.89	31.34	17.03	27.04
% of Recurrent	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Wages	65.78	60.57	59.97	58.66	48.92	58.86	64.45
Non-wages	34.22	39.43	40.03	41.34	51.08	41.14	35.55
Tertiary/University							
% of Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Recurrent	89.28	92.11	86.10	90.54	87.06	90.55	90.79
Capital	10.72	7.89	13.90	9.46	12.94	9.45	9.21
% of Recurrent	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Wages	94.21	91.60	93.27	95.46	93.65	96.14	95.93
Non-wages	5.79	8.40	6.73	4.54	6.35	3.86	4.07
Other Education							
% of Total	100.00	100.00	100.00	100.00	100.0	100.00	100.00
Recurrent	18.07	43.31	26.87	48.27	72.92	37.90	57.55
Capital	81.93	56.69	73.13	51.73	27.08	62.10	42.45
% of Recurrent	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Wages	76.94	63.31	63.96	75.38	58.92	64.79	82.10
Non-wages	23.06	36.69	36.04	24.62	41.08	35.21	17.90
Ministerial and Regional Administration							
% of Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Recurrent	50.63	66.62	57.76	57.54	50.28	64.20	52.30
Capital	49.37	33.38	42.24	42.46	49.72	35.80	47.70
% of Recurrent	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Wages	77.56	75.96	72.65	74.33	77.06	81.90	86.99
Non-wages	22.44	24.04	27.35	25.67	22.94	18.10	13.01

Source: CSEA staff estimates from the Program Budgeting Analysis.

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Table 11: Federal Government Recurrent and Capital Spending by Sector, Amount - Education (in millions of naira & 2006 prices)

	2006	2007	2008	2009	2010	2011	2012
TOTAL	206,272.94	210,869.54	246,851.15	215,728.38	197,085.61	281,302.82	342,419.94
Recurrent	140,647.02	152,773.85	164,507.84	155,630.47	135,572.47	210,014.05	255,133.77
Wages	121,062.22	127,771.86	138,422.15	136,321.62	114,696.69	186,603.63	230,454.87
Non-wages	19,584.80	25,001.98	26,085.69	19,308.85	20,875.79	23,410.42	24,678.90
Capital	65,625.92	58,095.69	82,343.32	58,363.02	61,513.14	71,288.77	87,286.16
Domestic	65,625.92	58,095.69	82,343.32	58,363.02	61,513.14	71,288.77	87,286.16
Donor	0.00	0.00	0.00	0.00	0.00	0.00	0.00

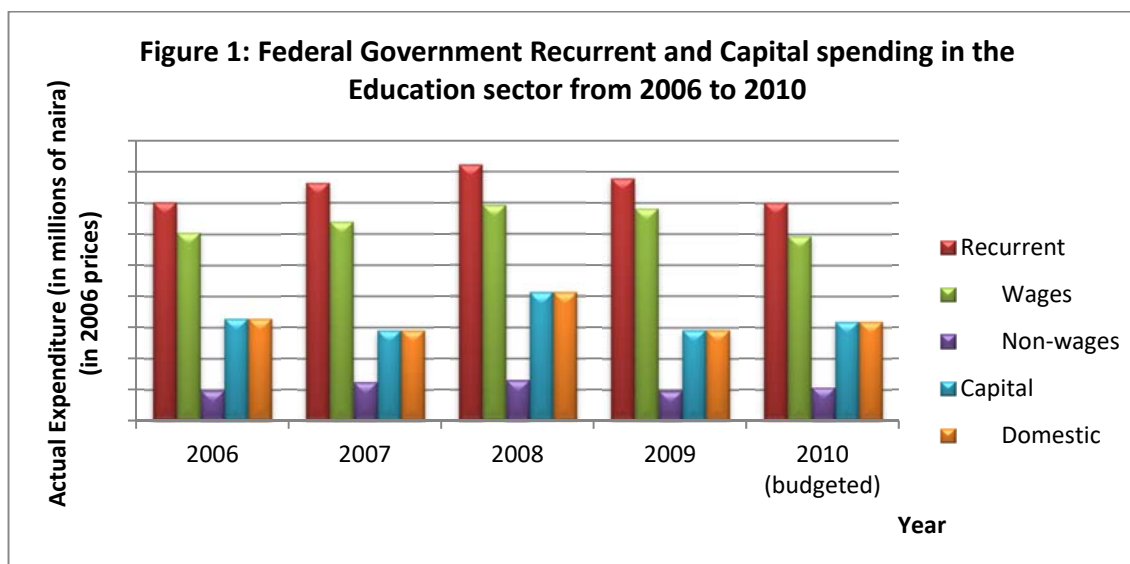
Source: CSEA staff estimates from the Program Budgeting Analysis.

Table 12: Federal Government Recurrent & Capital Spending by Sector, Percent (%) - Education

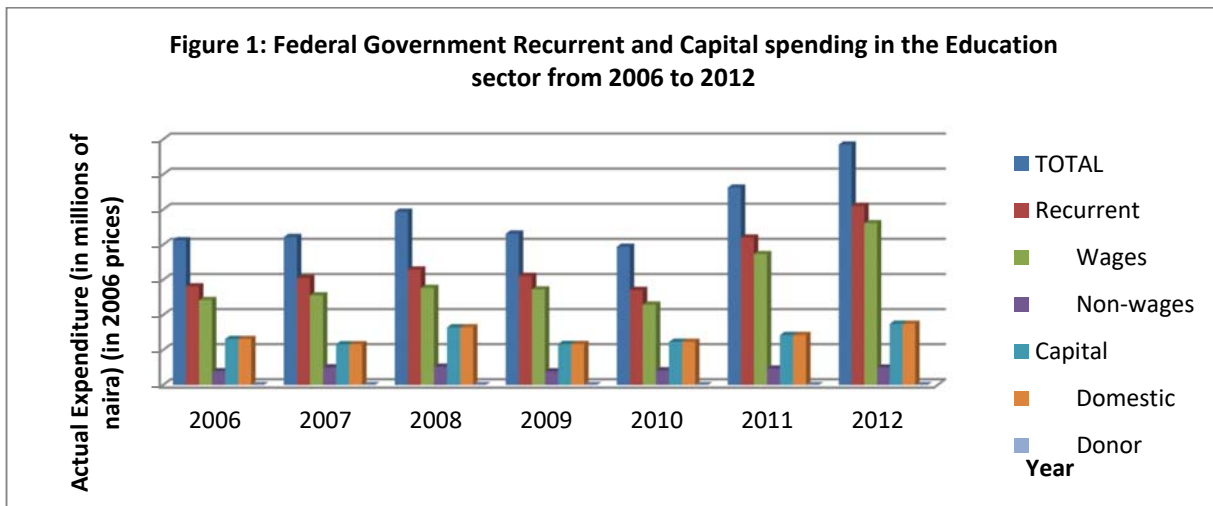
	2006	2007	2008	2009	2010	2011	2012
					(budgeted)		
% of Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Recurrent	83.08	85.94	81.94	83.97	68.79	74.66	74.51
Capital	16.92	14.06	18.06	16.03	31.21	25.34	25.49
% of Recurrent	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Wages	76.01	75.28	85.88	83.87	84.60	88.85	90.33
Non-wages	10.28	11.97	14.12	16.13	15.40	11.15	9.67

Source: CSEA staff estimates from the Program Budgeting Analysis.

Figure 1



Source: CSEA staff estimates from the Program Budgeting Analysis.



Source: CSEA staff estimates from the Program Budgeting Analysis.

- **Primary Education Sub-sector**

The states and local governments are responsible for providing primary education in Nigeria. The expenditures in the primary education sub-sector are comprised of the Federal Government’s allocations to the UBEC and the Federal Ministry of Education. From the preceding program budgeting analysis, it is observed that the primary education sub-sector is the second largest after the tertiary education sub-sector. This is as a result of the Federal Government’s increasing efforts to provide free basic education through the UBE Programme. The analysis in Table 9 shows a fluctuation in the Federal government’s expenditure in this sector. There was a significant decrease in the total expenditure between 2006 and 2007 from ₦37,213 million to ₦35,269 million, respectively. This later increased to ₦45,315 million in 2008 before decreasing again to ₦31,299 million in 2009 and rising to ₦33,205 million and ₦46,737 million in 2010 and 2011, respectively. In general, recurrent expenditure exceeded capital expenditure in this sub-sector.

- **Secondary Education Sub-sector**

The secondary education sub-sector comprises all the Federal Government Colleges, both technical and non-technical. The program budgeting analysis indicates a steady increase in the

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federal government's total expenditure in this sub-sector over the years. This increasing trend is also observed in recurrent expenditure while there is a decrease in capital expenditure. For example, the study (see Table 9) shows an increase, in real figures, of government expenditure on wages between the years 2006 and 2007 from ₦10,173 million to ₦10,250 million. However, in 2008, the wage expenditure dropped to ₦9,882 million and further in 2009 and 2010 to ₦8,132 million and ₦6,768 million respectively. Following, issues raised on the implication of a drowning education sector, the federal government increased spending on wages as expenditure was observed to have improved to ₦ 10,496 million in 2011.

- **Tertiary Education Sub-sector**

Tertiary Education is the largest sub-sector, and comprises the following sub-heads: Universities, Polytechnics, and Colleges of Education. The primary responsibilities of this sub-sector are: academic teaching, research and community development. The major thrust of tertiary education is the production of highly skilled, knowledgeable, competent, conscientious and globally competitive citizens. According to the Education Road Map (2009), there are currently 94 Universities in Nigeria, 115 Polytechnics, 86 Colleges of Education and 62 Innovative Enterprise Institutions. The Universities have staff strength of 99,464 consisting of 27,394 academic staff and 72, 070 non-academic staff, the Polytechnics 12, 938 academic staff and 24,892 non-academic staff while the numbers for the Colleges of Education are 11,256 and 24,621, respectively.¹⁹

The results presented in Tables 9 & 10 show an increasing trend of total and recurrent expenditure, particularly wages. Despite the amounts committed to this sub-sector, capital expenditure appears to be less than 10 percent of the total expenditure the specified period.

¹⁹National Technical Working Group (2009), *Report of the Vision 2020 on Education*, Abuja

- **Other Education Sub-sector**

Other Education comprises nomadic education and all other forms of informal education. From the Program Budgeting Analysis shown in Table 9, the Federal Government invested the least in this sector; it reveals a higher capital expenditure to recurrent expenditure between 2006 and 2009. Between the years 2006 and 2008, the data show a fluctuating trend in the total sub-sector expenditure which also corresponds with its capital expenditure. Recurrent expenditure on the other hand indicates a fluctuating trend marked by an increase from ₦319 million in 2006 to ₦13,243 million in 2009, and a fall to ₦311 million and an increase to ₦ 444 million in 2011.

- **Ministerial and Regional Administration Sub-sector**

Ministerial and Regional Administration comprises the Federal Ministry of Education, National Boards, Institutions and Nigeria's delegation to international organisations. In this sub-sector, the analysis in Table 9 shows a fluctuating trend in the total expenditure from ₦22,851 million in 2006 to ₦20,734 million in 2007. The federal government further spent ₦ 27,174 million in 2008. However, in 2009, spending fell to ₦ 20,276 million and gradually increased to ₦ 25,119 million in 2011. Capital expenditure in this sub-sector also followed similar trend. In contrast, recurrent expenditure increased from ₦10,417 million to ₦12,513 million in 2006 and 2007, and further increased to ₦14,803 million in 2008 before falling to ₦11,668 million in 2009 and further to ₦ 16,126 million in 2011.

5.2 Analysis of Health Sector Expenditure

The program budgeting analysis on health shows an increasing trend of total health expenditure between 2006 and 2012. This is evidenced by Figure 2 below. In fact, it shows that government allocates more than half of its funds to recurrent expenditure in the Health sector. This spending pattern, which is dominated by recurrent spending, is even more magnified by the rising wage bill of hospitals and health centres (see Tables 13 & 14). Furthermore, this pattern of spending that allocates fewer resources to

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capital projects is not likely to bring about any significant improvement in the provision of health infrastructure, given the poor state of hospitals, medical laboratories and medical centres. In comparative terms, government spending in preventative health remained low and even decreased over time. This partly explains the country's exposure to the incidence of diseases that cause ill health and often lead to death.

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Table 13: Federal Government Recurrent and Capital Spending by Facility Level, Amount –Health (in millions of naira & 2006 prices)

Health	2006	2007	2008	2009	2010	2011	2012
Hospital	44,765.42	45,430.42	51,735.64	116,993.39	53,548.95	92,889.22	107,829.14
Recurrent	39,546.85	40,467.25	45,569.28	78,539.98	47,006.81	83,592.71	99,097.90
Wages	37,431.23	37,525.57	42,836.89	72,853.63	43,574.41	80,411.37	96,047.17
Non-wages	2,115.62	2,941.68	2,732.39	5,686.35	3,432.40	3,181.34	3,050.73
Capital	5,218.58	4,963.17	6,166.36	38,453.41	6,542.13	9,296.51	8,731.24
Domestic	5,218.58	4,963.17	6,166.36	38,453.41	6,542.13	9,296.51	8,731.24
Donor	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Health Centre/Dispensary	26,366.21	23,489.27	28,876.49	37,017.63	31,315.46	55,784.96	69,180.86
Recurrent	14,089.94	15,465.38	18,146.69	19,905.46	20,352.25	40,881.56	47,698.76
Wages	13,386.69	14,321.90	17,103.45	18,877.24	18,758.96	39,102.62	46,061.33
Non-wages	703.24	1,143.48	1,043.23	1,028.23	1,593.29	1,778.95	1,637.43
Capital	12,276.27	8,023.89	10,729.80	17,112.17	10,963.21	14,903.39	21,482.10
Domestic	12,276.27	8,023.89	10,729.80	17,112.17	10,963.21	14,903.39	21,482.10
Donor	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Preventative	8,696.70	7,623.27	2,193.60	1,599.32	1,677.45	1,417.57	1,431.51
Recurrent	1,870.50	1,893.20	1,621.26	1,448.70	1,420.17	985.30	1,119.04
Wages	540.39	866.96	688.43	543.93	535.30	917.52	1,004.28
Non-wages	1,330.11	1,026.25	932.84	904.77	884.87	67.78	114.76
Capital	6,826.20	5,730.07	572.34	150.62	257.27	432.27	312.47
Domestic	6,826.20	5,730.07	572.34	150.62	257.27	432.27	312.47
Donor	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Health	412.16	624.90	924.52	811.46	1,085.13	1,924.97	1,784.54
Recurrent	296.42	355.25	388.62	436.71	479.66	1,225.37	1,268.81
Wages	266.09	268.89	303.14	356.11	374.99	886.14	1,090.29
Non-wages	30.32	86.36	85.48	80.61	104.67	339.23	178.52
Capital	115.75	269.65	535.89	374.75	605.47	699.60	515.73
Domestic	115.75	269.65	535.89	374.75	605.47	699.60	515.73
Donor	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ministerial and Regional Administration	19,698.10	34,467.16	28,201.19	18,456.34	21,288.58	20,261.09	19,974.61
Recurrent	5,390.98	6,232.79	6,760.48	6,107.93	6,015.27	8,573.36	8,788.11
Wages	4,656.40	4,949.64	5,501.11	5,306.09	5,054.58	7,544.66	7,959.80
Non-wages	734.58	1,283.15	1,259.38	801.84	960.69	1,028.70	828.31
Capital	14,307.12	28,234.38	21,440.71	12,348.41	15,273.30	11,687.73	11,186.50
Domestic	14,307.12	28,234.38	21,440.71	12,348.41	15,273.30	11,687.73	11,186.50
Donor	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: CSEA staff estimates from the Program Budgeting Analysis.

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Table 14: Federal Government Recurrent and Capital Spending by Facility Level, Percentage (%) - Health

Health	2006	2007	2008	2009	2010	2011	2012
Hospital							
% of Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Recurrent	88.34	89.08	88.08	67.13	87.78	89.99	91.90
Capital	11.66	10.92	11.92	32.87	12.22	10.01	8.10
% of Recurrent	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Wages	94.65	92.73	94.0	92.76	92.70	96.19	96.92
Non-wages	5.35	7.27	6.00	7.24	7.30	3.81	3.08
Health Centre/Dispensary							
% of Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Recurrent	53.44	65.84	62.84	53.77	64.99	73.28	68.95
Capital	46.56	34.16	37.16	46.23	35.01	26.72	31.05
% of Recurrent	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Wages	95.01	92.61	94.25	94.83	92.17	95.65	96.57
Non-wages	4.99	7.39	5.75	5.17	7.83	4.35	3.43
Preventative							
% of Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Recurrent	21.51	19.96	100.00	100.00	84.66	69.51	78.17
Capital	78.49	80.04	0.00	0.00	15.34	30.49	21.83
% of Recurrent	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Wages	28.89	45.79	42.46	37.55	37.69	93.12	89.74
Non-wages	71.11	54.21	57.54	62.45	62.31	6.88	10.26
Other Health							
% of Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Recurrent	71.92	56.85	42.04	53.82	44.20	63.66	71.10
Capital	28.08	43.15	57.96	46.18	55.80	36.34	28.90
% of Recurrent	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Wages	89.77	75.69	78.00	81.54	78.18	72.32	85.93
Non-wages	10.23	24.31	22.00	18.46	21.82	27.68	14.07
Ministerial and Regional Administration							
% of Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Recurrent	27.37	18.08	23.97	33.09	28.26	42.31	44.00
Capital	72.63	81.92	76.03	66.91	71.74	57.69	56.00
% of Recurrent	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Wages	86.37	79.41	81.37	86.87	84.03	88.00	90.57
Non-wages	13.63	20.59	18.63	13.13	15.97	12.00	9.43

Source: CSEA staff estimates from the Program Budgeting Analysis.

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Table 15: Federal Government Recurrent and Capital Spending by Sector, Amount - Health (in millions of naira & 2006 prices)

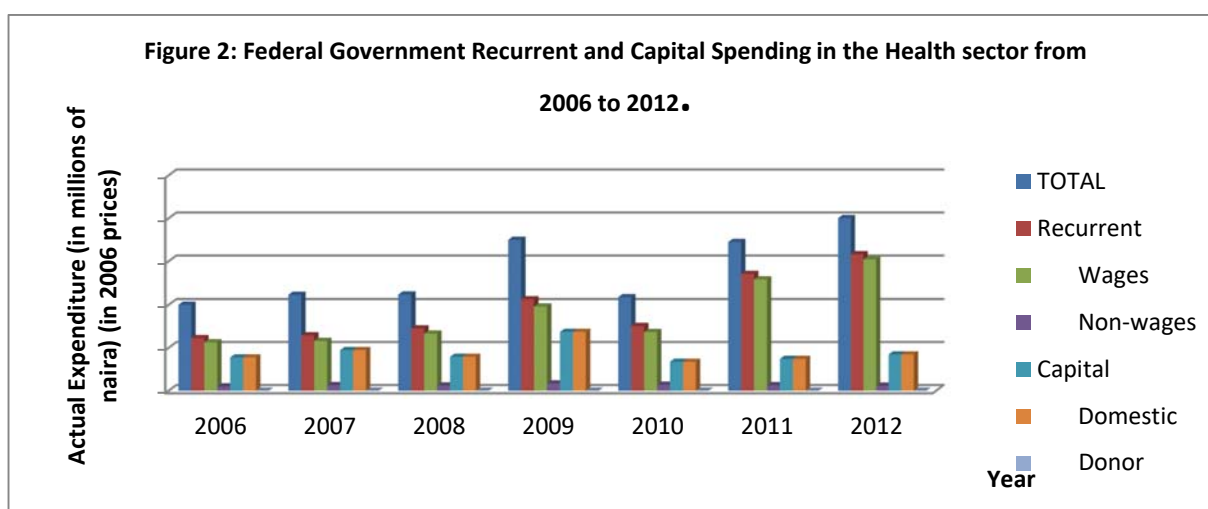
	2006	2007	2008	2009	2010	2011	2012
TOTAL	99,938.59	111,635.02	111,931.43	174,878.13	108,915.56	172,277.81	200,200.66
Recurrent	61,194.68	64,413.87	72,486.33	106,438.78	75,274.17	135,258.30	157,972.62
Wages	56,280.81	57,932.95	66,433.02	97,936.99	68,298.24	128,862.32	152,162.87
Non-wages	4,913.88	6,480.92	6,053.32	8,501.79	6,975.93	6,395.99	5,809.75
Capital	38,743.91	47,221.15	39,445.10	68,439.35	33,641.40	37,019.51	42,228.04
Domestic	38,743.91	47,221.15	39,445.10	68,439.35	33,641.40	37,019.51	42,228.04
Donor	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: CSEA staff estimates from the Program Budgeting Analysis.

Table 16: Federal Government Recurrent & Capital Spending by Sector, Percent (%) - Health

	2006	2007	2008	2009	2010	2011	2012
% of Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Recurrent	61.23	57.70	64.76	60.86	69.11	78.51	78.91
Capital	38.77	42.30	35.24	39.14	30.89	21.49	21.09
% of Recurrent	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Wages	91.97	89.94	91.65	92.01	90.73	95.27	96.32
Non-wages	8.03	10.06	8.35	7.99	9.27	4.73	3.68

Source: CSEA staff estimates from the Program Budgeting Analysis.



Source: CSEA staff estimates from the Program Budgeting Analysis.

- **Hospital Sub-sector**

The hospital sub-sector comprises all National hospitals including orthopaedic, psychiatric and teaching hospitals. The results presented in Table 15 show that both total expenditure and recurrent expenditure maintained an upward trend. The reason for the rise in total expenditure

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is because of the dominance of recurrent spending in the sub-sector. It also shown that a greater part of the recurrent expenditure was spent on wages which increased from ₦ 37,431 million in 2006 to ₦72,854 million in 2009. However, as shown in Table 13, capital expenditure in this sector decreased from ₦5,219 million in 2006 to ₦4,963 million in 2007 and later increased to ₦6,166 million in 2008. The federal government in 2009, spent exceedingly more (₦ 116,993 million) on hospital than in previous years with ₦ 78,540 million on recurrent expenditure and ₦ 38,453 million on capital. In subsequent years, total expenditure fell to ₦ 53,549 million in 2010 and rose to ₦ 92,889 million in 2011.

- **Health Centre/Dispensary Sub-sector**

The Health Centre sub-sector comprises medical centres and recuperative health care centres catered for by the Federal Government. Primary health care is essential healthcare based on practical, scientifically sound and socially acceptable methods and technology made universally accessible to individuals and families through their full participation and at a cost that the community can afford to maintain at every stage of their development, in the spirit of self-reliance and self determination. It forms an integral part of both the country's health system, and the social and economic development of the community²⁰. Tables 13 and 14 show a decrease followed by a significant increase in total expenditure of this sub-sector which reflects a decrease in capital expenditure from ₦12,276 million in 2006 to ₦8,023 million in 2007 and later increased to ₦10,730 million in 2008, ₦17,112 million in 2009 before falling to ₦ 14,403 million in 2011. However, wages are observed to have increased steadily over the years in direct relationship to recurrent expenditure.

- **Preventative Healthcare Sub-sector**

²⁰ National Technical Working Group (2009), *Report of the Vision 2020 on Health, Nigeria*

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This sub-sector comprises the Federal Government research programs and initiatives to prevent the outbreaks of diseases such as the National Program on Immunization, National Arbovirus and Vector Research and the Onchocerciasis program. Table 13 shows a steady decrease in total expenditure for this sub-sector, more significantly in 2007 to 2008 from ₦7,623 million to ₦2,194 million. Recurrent expenditure is observed to have steadily decreased from ₦1,893 million in 2007 to ₦1,449 million in 2009 as well as a drastic decrease in capital expenditure, most noticeably from ₦5,730 million in 2007 to ₦151 million in 2008. However, Table 14 shows a slight increase in the 2010 capital expenditure from ₦ 257 million in 2010 to ₦ 432 million in 2011.

- **Other Health Sub-sector**

Other Health Sub-sector comprises the National Government's efforts to train health personnel to become more professional through programmes such as Nurse Tutor Program, National Post Graduate Medical College and Community Health Care Program. From the program budgeting analysis presented in Tables 13 and 14, total and recurrent expenditure for the sub-sector indicated a rising trend from 2006 to 2012. It is worthy of note that in 2008, capital expenditure (₦536 million) exceeded recurrent expenditure (₦389 million). However, there was a reversal, with capital expenditure rose to ₦375 million in 2009 and rose to ₦ 699.6 million in 2011 while recurrent expenditure increased from ₦437 million in 2009 to ₦ 1225 million in 2011.

- **Ministerial and Regional Administration**

Ministerial and Regional Administration sub-sector comprises Federal Ministry of Health, Councils and Boards responsible for the improvement of health-care in the nation. For this sub-sector, the study reveals a fluctuating trend in total expenditure, increasing from ₦19,698 million in 2006 to ₦34,467 million in 2007, and a fall to ₦28,201 million in 2008 and ₦18,456

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million 2009 (see Table 14). Total expenditure in this sub-sector later increased to ₦20,261 million in 2011.

5.3 Analysis of Water Sector Expenditure

The Water sector comprises dams, irrigation projects, river basin development authorities and all of the Federal Government efforts to provide improve water quality and supply. However, in spite of the enormous water resources in Nigeria, only about 75 percent of people resident in urban areas and 44 percent of the rural populations have access to improved drinking water sources, based on the population and water supply coverage of the country in the year 2008. In fact, a trend analysis of Nigerian water supply coverage from the year 1990 to 2006 shows a declining total coverage, which if unchecked, will result in a total coverage of only 42 percent by 2020. This will translate into about 84 million Nigerians being denied access to improved water supply source by 2020.²¹

The analysis presented in Tables 17 and 18, and Figure 3 show the Federal Government recurrent and capital spending in the water sector from 2006 to 2012. It was shown (Table 1 above) that the Federal Government spent the least on the water sector with a total expenditure of ₦258, 950 million between 2006 and 2012. The program budgeting analysis presented in Table 17 indicates that the federal government spent more financial resources on capital projects than on wage and non-wage items in the recurrent expenditure over the same period. This pattern of spending may be explained by the capital intensive nature of most water projects and the limited access to infrastructure network by the poor. This means that enlarging the network would devote a higher proportion of spending in this sector on capital expenditure. This may also signal government's increasing awareness and effort to improve the water availability and quality for its citizens.

²¹National Technical Working Group (2009), *Report of the Vision 2020 on Water and Sanitation*, Nigeria

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Table 17: Federal Government Recurrent and Capital Spending by Sector, Amount- Water (in millions of naira & 2006 prices)

	2006	2007	2008	2009	2010	2011	2012
TOTAL	78,156.41	46,040.74	39,476.97	15,467.32	8,456.61	9,776.80	61,575.64
Recurrent	3,616.19	3,949.19	13,457.50	2,504.70	3,402.11	1,178.23	6,234.51
Wages	2,956.62	2,705.31	9,773.60	1,703.72	2,315.54	826.14	4,918.71
Non-Wages	659.57	1,243.88	3,683.90	800.98	1,086.57	352.09	1,315.80
Capital	74,540.22	42,091.54	26,019.47	12,962.62	5,054.49	8,598.57	55,341.13
Domestic	74,540.22	42,091.54	26,019.47	12,962.62	5,054.49	8,598.57	55,341.13
Donor	0.00	0.00	0.00	0.00	0.00	0.00	0.00

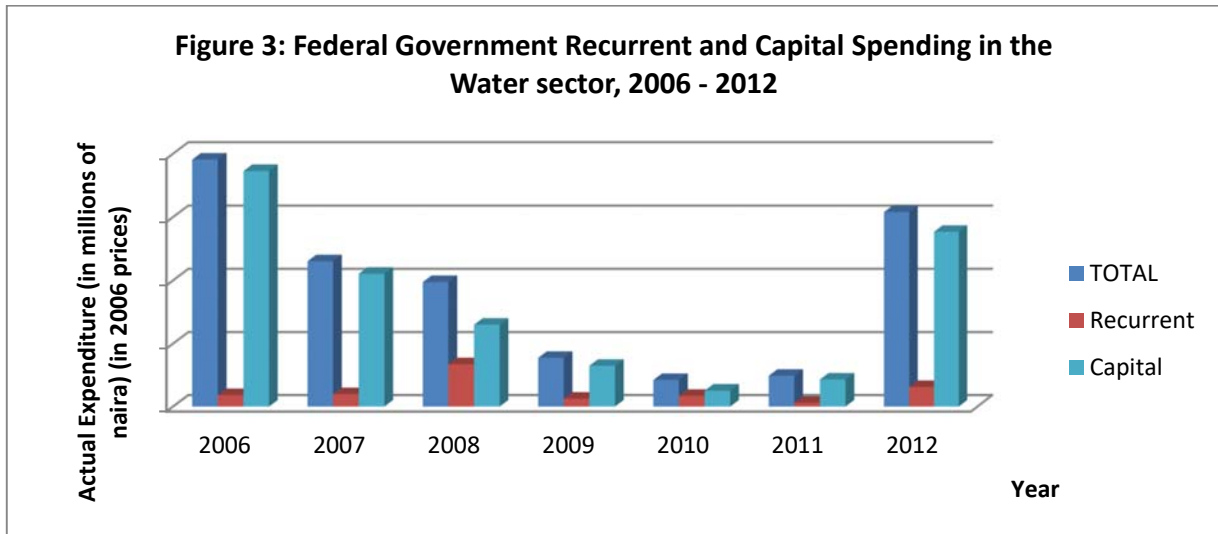
Source: CSEA staff estimates from the Program Budgeting Analysis.

Table 18: Federal Government Recurrent and Capital Spending by Sector, Percent (%) - Water

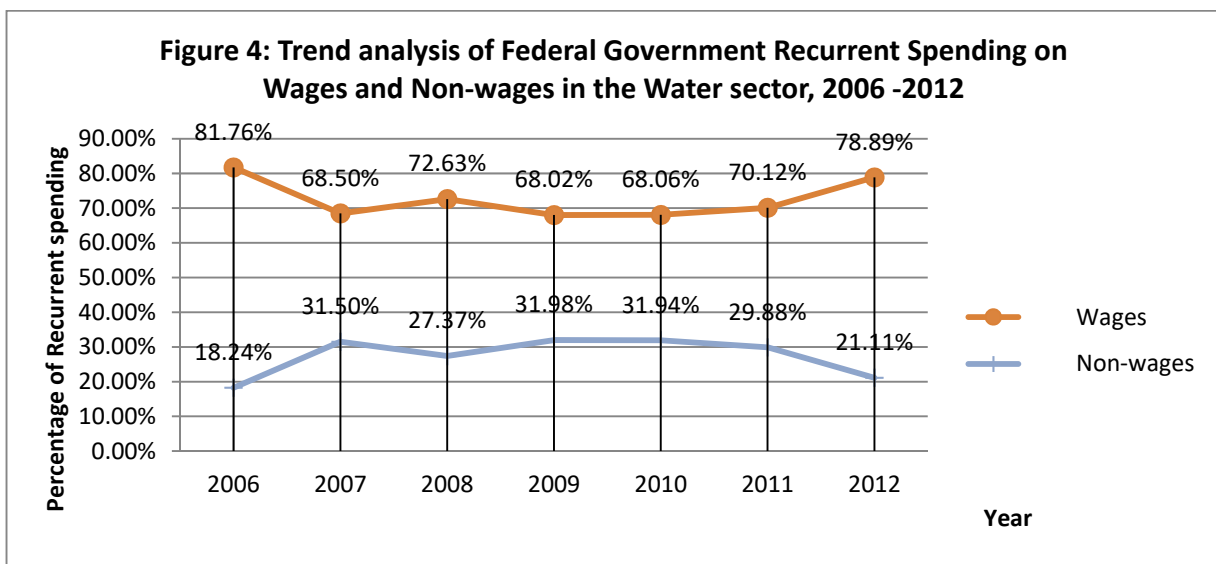
	2006	2007	2008	2009	2010	2011	2012
% of TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Recurrent	4.63	8.58	34.09	10.77	40.23	12.05	10.12
Capital	95.37	91.42	65.91	89.23	59.77	87.95	89.88
% of Recurrent	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Wages	81.76	68.50	72.63	68.02	68.06	70.12	78.89
Non-wages	18.24	31.50	27.37	31.98	31.94	29.88	21.11

Source: CSEA staff estimates from the Program Budgeting Analysis.

Though capital spending remained higher than recurrent expenditure from 2006 to 2010, capital expenditure decreased significantly from ₦74,540 million in 2006 to ₦5,054 million in 2010. However in 2011, the Federal government increased its capital spending in the sector to ₦8,598 million and proposes ₦55,341 million in 2012.



Source: CSEA staff estimates from the Program Budgeting Analysis.



Source: CSEA staff estimates from the Program Budgeting Analysis.

Figure 4 highlights the components of recurrent spending - wages and non-wages. While both wages and non-wages fluctuated, wage spending remained far higher than non-wage spending. However, the gap between wages and non-wages in 2006 narrowed over time.

6.0 Challenges to conducting this work

The main challenge faced in carrying out the program budgeting analysis was a lack of access to the required data. Nigeria has an opaque system where budget and finance-related information are often restricted to top government officials and regarded as sensitive, making it difficult to examine and analyze the impact of social spending in the budget. The reluctance to divulge the much needed data led to delays in the budget analysis as efforts to retrieve any information on the actual budget expenditure require a great deal of patience and time for the request for such data to be processed.

Classification of spending categories was also a challenge in conducting this analysis. Extra care was taken to ensure that the contributions from other ministries were recognized, as it was noticed that other sectors of the economy, through their respective ministries, had in one way or another contributed to the Education, Health and Water sectors of the economy.

Local government expenditure data on the Education, Health and Water sectors were inaccessible, as well as data on household water expenditure. According to the statistics from the available household surveys, Nigerians in the rural areas have wells and streams as their sources of water which made it difficult to ascertain the actual amount being privately spent on water by households. Likewise, no data on suburban and urban households spending on water was collected.

7.0 Possible Extensions

The need for proper accountability of public finances in Nigeria cannot be over-emphasized. Nothing is done to ensure the accountability of public funds especially at the sub-national levels as state and local governments have autonomy over budget execution in their various constituencies. The extension of the *Strengthening Institutions* project to the sub-national levels of government in Nigeria is critical to ensuring universal public expenditure accountability at all levels of government. Such an in-depth

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analysis will shed more light on the states' budget performance and demonstrate which sectors are receiving the most and least allocations. It will also reveal if the budget allocated to the various sectors are being prudently spent and to what degree.

There are several benefits of extending this project to the sub-national level. Firstly, it will provide better information and insight into the budget performance of state and local governments in the education, health and water sectors. Secondly, it will raise awareness among civil society organizations and grassroots fiscal transparency groups on the budget performance of state and local governments, the utilization of past expenditures on the three social sectors, which will promote budget transparency, and lead to improved service delivery and enhanced sub-national public expenditure accountability.

Likewise, in the future, the project could be extended to cover a ten-year period from the initial five-year period. This would give room for detailed monitoring and evaluation of budget implementation, and allow for the identification of expenditure trends and forecasting of future trends in patterns of social sector spending in Nigeria. The generation of a long-term dataset on budget allocations to the three social sectors would also facilitate historical comparisons within and among sectors, and the analysis of public expenditure flows to specific social programs.

The suggested extensions of the duration and coverage of the *Strengthening Institutions* project would strengthen its impact on the policymaking process, as well as the capacity of CSEA and other civil society groups to engage in budget monitoring and public expenditure tracking in Nigeria.

8.0 Plans for Dissemination/Communication

There are two distinct goals of the dissemination activity. First is to highlight the key findings of the study to the end-users - government authorities and civil society organizations, with a view to influencing and enriching policy. This will be achieved by issuing press releases and inviting notable

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editors and journalists to press conferences. Second is to create a platform (through seminars and meetings) on which CSEA can present results and also canvass the need for government authorities to increase information sharing on budget execution with researchers, civil society organizations and other advocacy groups. The situation where government authorities restrain access to budget execution information limits the ability to effectively assess the impact of government programs on its citizenry. Ordinarily, the citizens would want to know how much of the program budgets that is actually executed.

Sequel to the first seminar held in December 2009 where CSEA presented the preliminary evidence on actual government spending in education, health and water sectors, on December 9th, 2010, CSEA organized another seminar where the updated findings of the Program Budgeting Analysis were disseminated to the stakeholders. The key findings were summarised in the form of presentation print outs and distributed to seminar participants – policymakers, legislators, government officials, civil society organisations, media and the academia.

Further seminars and meetings will be organized to inform stakeholders, civil society groups and top government officials of the implications of the final result. This would ensure that the information gets to those who need it to make better and informed policy decisions. It will also be a forum to get feedback and sound public opinions on the project.

Other dissemination means that will be used include:

- Stakeholder consultation sessions involving the relevant Government MDAs, the media and civil society groups.
- Collaboration and sharing information with Civil Society Groups and Community Based organizations.

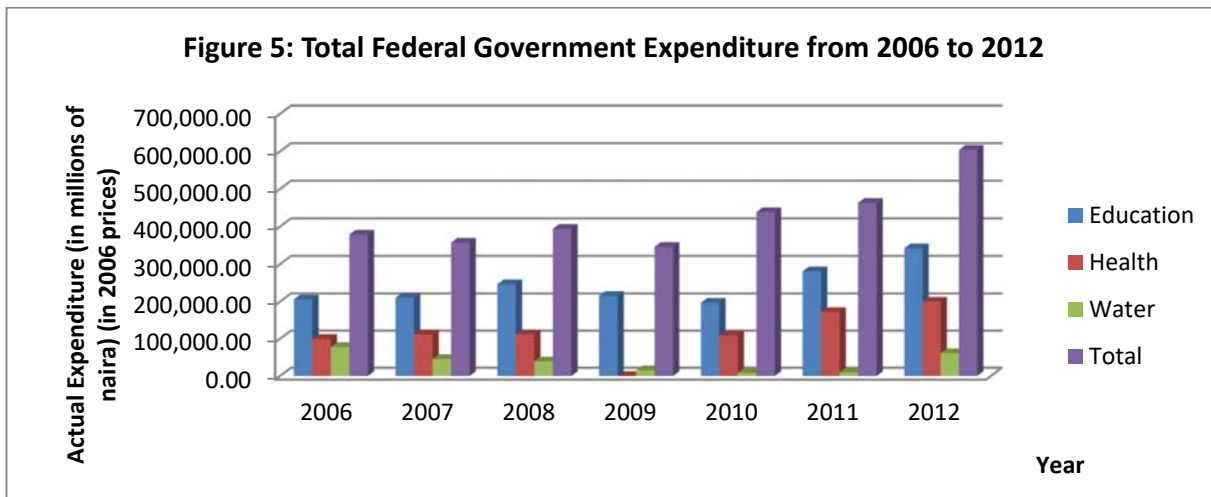
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- Presentation of policy briefs and position papers to key policymakers based on findings from this research project.
- Website: To provide and make this information readily available and accessible, the results of the project will be published on CSEA's website, to create awareness, promote and inform different audiences of the findings and implications of the project.

9.0 Conclusion

The Nigerian budget has been and is likely to continue to be the focus of many debates on the very limited effectiveness of public spending. The Fiscal Responsibility Act (adopted in 2007) has empowered the BOF to monitor and evaluate budget performance. However, despite the efforts made to improve budget preparation, monitoring and evaluation by the Federal Government, not much has been done to ensure accountability and efficiency of public expenditure, nor on the availability of data on budget execution.

The *Strengthening Institutions to Improve Public Expenditure Accountability* project aims to create awareness for both individuals and institutions on the importance of proper accountability of public expenditure in Nigeria. The Program Budgeting Analysis conducted in the first year of the project assembled data on public spending in the three social sectors: education, health and water. The analysis generally shows that the Federal Government allocated more funds to the education sector, followed by the health sector and least to the water sector. The figure below indicates the total government expenditure in the three (3) sectors for the specified period (2006 to 2010).



Source: CSEA staff estimates from the Program Budgeting Analysis.

Specifically, the Program Budgeting Analysis of Federal Government expenditure in the three (3) social sectors raises questions on the allocation of resources to the sectors (compared to levels in order countries in relation to GDP), between the three social sectors and within each of the sub-sectors, and demonstrates the need for government to review its allocation ratio in order to improve and correct its concentration on certain sub-sectors. It also identifies the total expenditure of both the Federal Government and foreign donors in the Education, Health and Water sectors, thus shedding more light on domestic and donor contributions to social sector spending. The analysis reveals the need for the Federal Government to improve investment in the water sector and ensure proper accountability of public investment in the other sectors, particularly education.

In general, the observed low utilisation of capital budgets in the three social sectors during the review period raises questions on the efficiency of the budgeting process in Nigeria, the absorptive capacity of the economy and the competence of public servants in delivering their responsibilities to the citizenry. Low efficiency of capital expenditure further compounds the ability of the government to ‘crowd-in’ the private sector, embark on development projects that alleviate poverty and generate multiplier effects from public expenditure. Similarly, relatively large recurrent expenditures, especially the wage bills and overheads of the line ministries, strain government finances and without proper management,

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encourage corruption and embezzlement of public funds, with implications for the overall fiscal deficit of the government and macroeconomic stability. It is imperative that the budgets for the critical social sectors being covered in this project deliver ‘value for money’ – by delivering visible effects on growth and poverty reduction; twin areas that are of the greatest concern to the teeming Nigerian population.

10.0 Policy Implications

There are several important policy implications of these findings. First, the present level of spending in the three sectors is low compared to other countries (in relation to GDP) and Nigeria’s Millennium Development Goal (MDG) objectives. Thus, government will need to increase spending for all three sectors. Second, the allocation within the sectors does not support expected outcomes and will need to be reconsidered. For instance, the heavy spending in favor of tertiary education is not justified by the weak outcome, and hence, a need to prioritize spending in favor of primary and secondary education. The need to allocate additional resources to secondary school education is supported by the poor performance of students in national examinations. Across the facility levels in education, government needs to either increase or reallocate spending in favour of capital (development) projects. A higher capital spending is required to address the deteriorating state of infrastructure in the education sector.

Similarly, the present spending in the health sector is low, and to improve the country’s human capital development, government will need to increase spending in the various health sub-sectors, especially in primary health care facilities and preventive care. The need for this is highlighted by the negative trend in preventative spending. Government can facilitate uptake in preventive activities, by allocating more resources to this sub-sector. Greater spending on primary health and preventive care can help to reduce the prevalence of diseases and death rates among different age groups.

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For water, total level of spending is low in percent of GDP and in view of the MDG and vision 20:2020,²² and will need to increase. Availability of safe drinking water remains very low among rural population, and to increase access, government will need to increase spending on rural water supply. The federal government also needs to develop a well-structured subsidized tariff system that will benefit the poor in the society, who appear to be paying relatively more for drinking water than the rich.

Third, the results show that federal government spent more than 50 percent of recurrent expenditure – for the three sectors on wages, leaving little for non-wage items. This pattern of spending that favours wages over non-wages could be a major reason why the quality of trained personnel in these sectors has fallen over time and the inability of workers to make positive developmental changes. Therefore, the federal government should either re-allocate resources in favour of, or allocate more resources to personnel trainings, workshops and other capacity building initiatives so as to produce highly effective personnel who would ensure the efficient use of public funds.

Fourth, there is a need to review the present fiscal relationship that exists between the federal, states and local governments. A relationship that allows a federal body to monitor states' spending will help strengthen public expenditure accountability. This will further lead to better targeting and coordination of spending for improved service delivery. For example, Local governments depend heavily on statutory allocations from the federation account and the VAT pool account, receiving 20.60 percent of government revenue from the federation account and 35 percent from the VAT pool account through the state government, who are expected to pay 10 percent of their internally generated revenue to their local governments. However, most state governments default in this responsibility and local

²² Vision 2020 is a framework designed to make Nigeria one of the top 20 largest economies in the world.

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governments are unable to provide adequate primary education and primary health care services which are their statutory responsibilities.²³

Fifth, the analysis highlights an urgent need for the federal government to pursue the privatization program with greater vigour, accountability and transparency. The huge government spending in some sub-sectors has not produced good outcomes and value for money. In addition, institutions need to be strengthened to guarantee property rights and provide the necessary environment that will promote increased private sector spending in education, health and water.

²³ See Schedule IV of the 1999 Nigerian constitution for the functions of Local Government Councils.

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