



# Policy Brief

Program Budgeting Analysis on Education and Health sectors in Nigeria

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## INSIDE THIS ISSUE

- 1 Background
- 2 Importance of Program Budgeting
- 3 Methodology
- 4 Findings
- 5 Conclusion
- 6 Policy Recommendations

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### Research Findings

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“Annually, an average of 85 percent of total government expenditure on Education goes to recurrent items.”

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*“... Capital spending may have maintained an upward trend in the secondary school sub-sector, but the overall share of capital spending remained low on average.”*

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## 1. Background

This volume presents the results of the Program Budgeting Analysis (PBA), the first analytical component of the Global Development Network's (GDN) and Results for Development (R4D) project on *Strengthening Institutions to Improve Public Expenditure Accountability* (SIPEA). The goal of this analysis is to deepen stakeholders' understanding of the sources of funding and how money is allocated to, and spent in the social sectors of health and education, which are critical for pro-poor growth and poverty alleviation. The analysis focuses on Federal Government spending from 2006 to 2010.

Program Budgeting Analysis (PBA) presents a better and more “ground-covering” method of budget planning that can ensure a more even distribution of public resources to lacking areas. This makes it easier for policymakers to identify failing areas due to poor funding and rectify the situation. It is an informative tool, particularly for those interested in the legislative, political, and reform dimensions of public sector budgeting. Though Program budgeting analysis is somewhat technical, it is a way of gaining better knowledge of how government sets priorities in order to achieve optimum allocation of scarce resources. With emphasis on specific program objectives, budget data will become more informative, and more clearly, provide evidence of how resources are allocated to various programs by the government. In particular, the PBA helps to express the need for, and guides policymakers/government officials on how to deliver services to the community.

The PBA shows that 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 primary health care and preventive health sub-sectors. This is also true for the primary and secondary education sub-sectors. Furthermore, there is the need to ensure commensurate service delivery for amounts spent in the tertiary education sub-sector.

## 2. Importance of Program Budgeting

The importance and benefits of program budgeting cannot be over-emphasized. Program budgeting system describes and gives detailed costs of every activity or program that is presented in a budget. As a budgeting method, it facilitates the comparison of spending options and helps achieve performance evaluation. It is a means of improving government performance and ensuring a fair distribution of resources to citizens. Unlike the line-item method that focuses on inputs, the priority of program budgeting is on efficiency and effectiveness of government spending.

As a result-oriented tool, it can help attain the objectives of the transformation agenda of the present administration in Nigeria, if adequately implemented. By focusing on the expected results of government activities, program budgeting can help maintain a financially sound and stable program thereby encouraging a more coordinated and efficient government administration.

### 3. Methodology

Program budgeting analysis involves three (3) main steps: First, is the identification of the administrative sources of spending for each of the sectors. Second, is the collection of budget data from each of these sources, and third is classification of the budget data into various categories and sub-categories or activities, with focus on outcomes.

For this analysis, the Education budget is classified into 5 categories namely; Primary, Secondary, Tertiary, Other education (comprising nomadic education and mass literacy programme) and Ministerial and Regional Administration. Health is classified into Hospital, Health centres, Preventive, Other Health (comprising national health personnel training programs such as the Nurse Tutor Program and the National Post Graduate Medical College among others) and Ministerial and Regional Administration. Each of these categories is sub-divided into recurrent and capital expenditure. The sub-categories are further divided into wages and non-wages for recurrent expenditure items, and domestic and donor for capital expenditure.

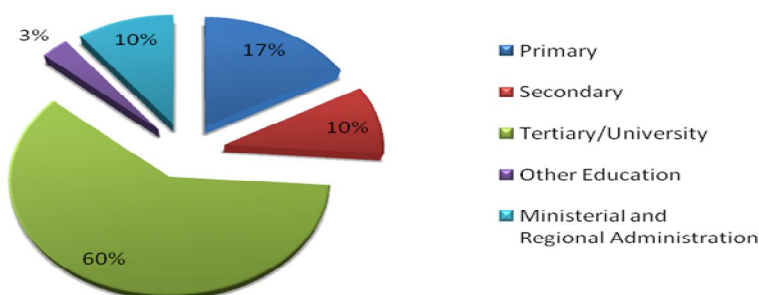
Data used for this analysis are sourced from the Budget Office of the Federation, National Planning Commission, the Central Bank of Nigeria, and National Bureau of Statistics.

### 4. Findings

#### Education

The findings from this analysis show that federal government has spent an average of 60 % of the entire education budget on Tertiary education since 2006 to 2010 (See Figure 1). Other sub-sectors comprising Primary, Secondary, "Other Education" and Ministerial and Regional Administration share the remaining 40 % of the budget.

**Figure 1: Percentage Average of Expenditure in Sub-sectors of Nigeria's Education Sector, 2006 - 2010**



Further insight from the analysis revealed that recurrent spending dominated government spending in the secondary and tertiary/university sub-sectors, and while capital spending may have maintained an upward trend in the secondary school sub-sector, but the overall share of capital spending remained low on average.

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*"The Federal Government spent an average of 60 percent of the entire education budget on Tertiary education from 2006 to 2010."*

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*"Greater spending on "other health" and preventive care can help to reduce the prevalence of diseases and death rates among different age groups."*

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### Health

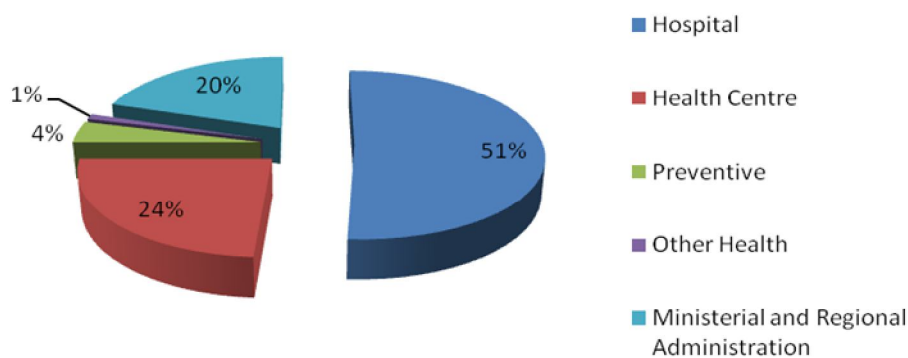
Figure 2 shows that in the Health sector the Federal Government spent an average of 51 % on Hospitals, 24 % on Health Centres, 20 % on Ministerial and Regional Administration, 4 % on preventive health and 1 % on "other health". The results imply that government should invest more in preventive and "other health" to sustain health-related innovations and ensure that efforts already made by the Federal Government and international donor agencies, to reduce the burden of diseases, do not go to waste.

In terms of recurrent and capital spending, over 57 % of total expenditure is spent on recurrent activities, while the remaining was on capital.

#### About the SIPEA PROJECT

The Strengthening Institutions project is a joint effort by Global Development Network (GDN) and Research for Development Institute (R4D) in providing technical and financial support to fifteen think tanks from Sub-Saharan Africa, Asia and Latin America. The project is a five year program where think tanks in developing countries selected and work on critical policy issues around public expenditure. The project is funded by the Department of International Development (DFID) UK; through its Governance and Transparency fund.

**Figure 2: Percentage Average of Expenditure in Sub-sectors of Nigeria's Health Sector, 2006 - 2010**

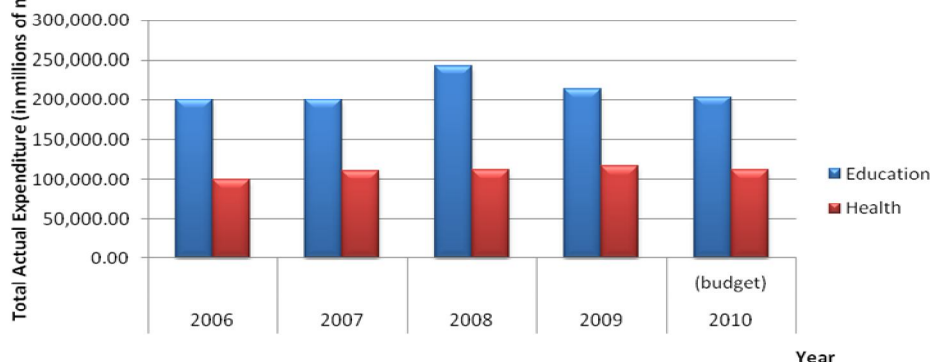


Certainly, this pattern of spending that allocates fewer resources to capital projects is not likely to bring about any significant improvement in the provision of health infrastructure, given the poor state of hospitals, medical laboratories and medical centres.

## 5. Conclusion

The present Program Budgeting Analysis has taken a critical look at public spending in two important social sectors in Nigeria. Figure 3 presents a quick summary of total government expenditure in these sectors, from 2006 to 2010.

**Figure 3: Total Federal Government Expenditure on Education and Health from 2006 to 2010**



The analysis presented total expenditure per sector, total expenditure per sub-sector, total recurrent expenditure including wages and non-wages items, as well as total capital expenditure. The analysis revealed the need for the Federal Government to improve investment in the “other health” and preventive health sub-sectors, as well as ensure proper accountability of public investment in the sectors. It also showed that budget utilization in the two sectors has been very low, especially that of capital budgets. This raises questions on the absorptive capacity of the economy and the readiness of public servants in delivering their responsibilities to the citizenry.

## 6. Policy Recommendations

Several important policy recommendations emerge from the PBA.

- There is a need to improve the present level of spending, as well as utilization in the two sectors in relation to other developing countries and in achieving the targets of the Millennium Development Goals.
- Allocations within the sectors should support expected outcomes and reflect pro-poor characteristics. For instance, the heavy spending in favour of tertiary education is not justified by the weak outcome of graduates.
- There is also a need to ensure commensurate service delivery for amounts spent on tertiary education as well as prioritize spending in favour of primary and secondary education.
- The need to allocate additional resources to secondary school education is supported by the increasing poor performance of students in national examinations.

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 on primary health care and preventive services. The need for this is highlighted by the negative trend in preventive spending. Government can facilitate uptake in preventive activities by allocating more resources to this sub-sector. Greater spending on other health and preventive care can help to reduce the prevalence of diseases and high death rates among different age groups.

### About CSEA

The Centre for the Study of the Economies of Africa (CSEA) is an independent non-profit organization established by Dr. Ngozi Okonjo-Iweala. CSEA aims to strengthen the evidence-based policy space through high quality and timely research.

## Further Reading

This policy brief is a summary of a research conducted by CSEA. For the full report and other reports published by CSEA, please visit [www.cseaafrica.org](http://www.cseaafrica.org).

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- Uneze, E.F. and Nwadike, G.C. (2010), “Program Budgeting Analysis of the Nigerian Education, Health and Water Sectors”, *a research report* prepared for the Global Development Network (GDN) under the Strengthening Institutions to Improve Public Expenditure Accountability Project.
- Rosenberg. P. et al, (1999) Program Budgeting: Modernizing Financial Management for Hungarian Local Governments- A Training Manual. Urban Institute  
<http://www.urban.org/pdf/prog-budget.pdf>
- Foreign Exchange  
1 USD = 155.77 NGN (Naira)  
1 GBP = 250.90 NGN

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