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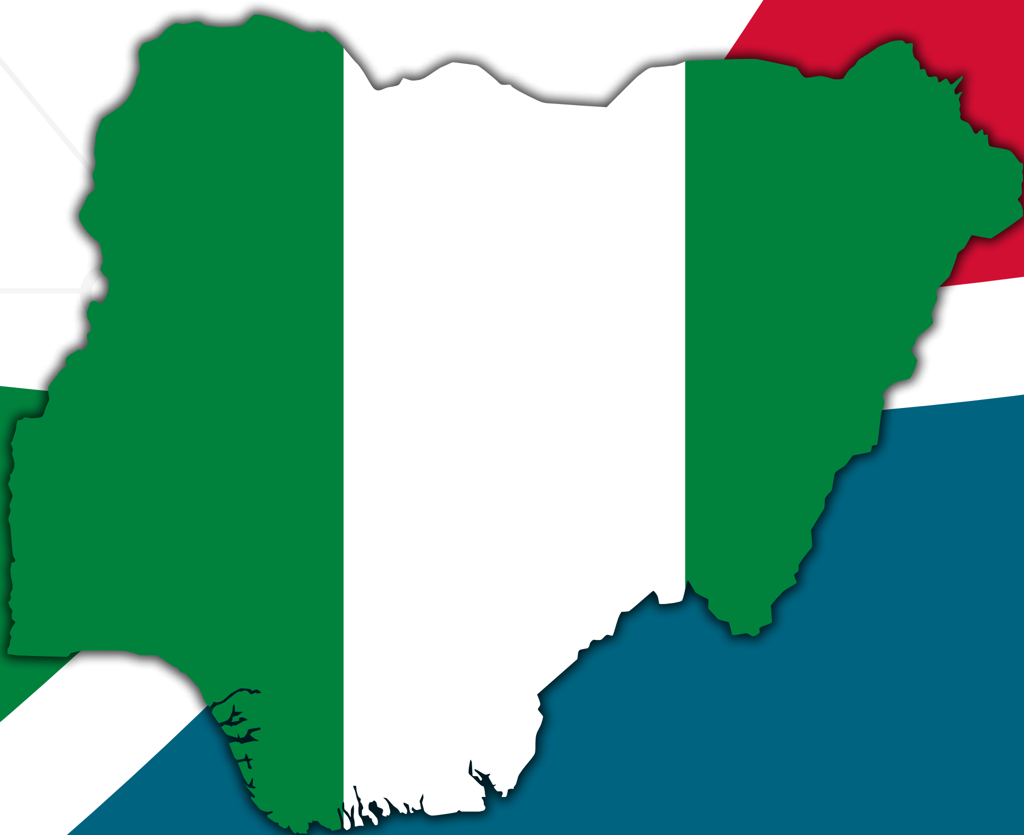

Budget implementation, monitoring and evaluation capabilities at the Federal level in Nigeria

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Acronyms and abbreviations

AGF	Accountant-General of the Federation
BPP	Bureau of Public Procurement
BOF	Budget Office of the Federation
CABRI	Collaborative Africa Budget Reform Initiative
CAPEX	capital expenditure
CBN	Central Bank of Nigeria
CDCU	Central Delivery Coordination Unit
CFAs	central finance agencies
COVID-19	Corona virus disease
CRF	Consolidated Revenue Fund
CSOs	civil society organisations
ERGP	Economic Reform and Governance Plan
FCDO	Foreign, Commonwealth and Development Office
FGN	Federal Government of Nigeria
FRA	Fiscal Responsibility Act
FRC	Fiscal Responsibility Commission
GDP	gross domestic product
GIFMIS	Government Integrated Financial Management Information System
GNI	gross national income
HDI	Human Development Index
IBP	International Budget Partnership
IDA	International Development Agency
IPPIS	Integrated Payroll and Personnel Information System
IPSAS	International Public Sector Accounting Standard
KII	key informant interview
LGAs	local government authorities
M&E	monitoring and evaluation
MDAs	ministries, departments and agencies
MDGs	Millennium Development Goals
MTEF	Medium-Term Expenditure Framework
N	Nigerian naira
NA	not applicable
NASS	National Assembly
NBS	National Bureau of Statistics
NDDC	Niger Delta Development Commission
NEEDS	National Economic Empowerment and Development Strategy
NEITI	Nigeria Extractive Industries Transparency Initiative
OAGF	Office of the Accountant-General of the Federation
OAuGF	Office of the Auditor-General of the Federation
PEFA	Public Expenditure and Financial Accountability
PEMFAR	Public Expenditure Management and Financial Accountability Review
PERL	Partnership to Engage, Reform and Learn
PFM	public financial management
PPP	public-private partnership
TSA	Treasury Single Account
USD	United States dollar

Executive summary

The Federal Republic of Nigeria has enjoyed sizeable resources from development partners to strengthen its public financial management (PFM) systems for a more result-oriented budget process, improved economic governance and overall improvement in the lives and welfare of its citizens. Major achievements include key legislative reforms in the areas of fiscal responsibility, taxation and public procurement, and improvements in the operational framework for PFM and ancillary functions. Along this line, many ministries, departments and agencies (MDAs) have gained access to the recently introduced Government Integrated Financial Management Information System (GIFMIS), whilst more broadly, PFM institutions are expanding standardisation, innovation and automated systems to address the fragmentation in record keeping and reporting. These improvements have gradually led to strengthened PFM systems and confidence in budget management. In spite of these successes, challenges remain around procurement systems, budget credibility, disclosure of information on public finances, asset and liability management, implementation bottlenecks in budget execution and auditor independence.

The 2019 Public Expenditure and Financial Accountability (PEFA) assessment indicated that the country has made some modest gains compared with the 2012 exercise in areas of tax administration and compliance, budget transparency, reporting of cash balances, debt management, and the bank account reconciliation process. Generally, there is low credibility in the overall budget system on both revenue and expenditure and specifically, a worrying trend with relatively low levels of implementation of capital expenditure budgets. Reasons for the low outturns include the dependence on a low number and volatile revenue sources, poor revenue forecasting, weak procurement processes and late release of funds to implement capital projects.

The report examines in more detail the challenges related to capital expenditure implementation in Nigeria, as well as the key drivers of abandoned capital projects across the country. Over 56,000 projects scattered across the six geo-political zones have been abandoned, equivalent of over N12 trillion. Contributory factors range from systemic failures to individual and institutional capacities. These include non-release of funds, poor procurement practices, corruption, weak capabilities to plan and execute projects, and lack of continuity in policies and projects implementation by succeeding administrations.

CABRI's review of the capabilities of some selected central finance agencies (CFAs) and other MDAs on budget execution and monitoring and evaluation of the budget implementation process was also factored into the assessment presented in this report. The fieldwork consisted of two stages. The first stage was the key informant interviews which aimed to refine the scope and focus of the assessment. The second stage involved organisational reviews to elicit responses with a view to evaluating PFM and organisational capabilities across a set of key PFM functions. For this exercise, respondents were federal government officials from seven key ministries: Ministry of Finance, Budget and National Planning, Ministry of Works and Housing, Ministry of Power, Ministry of Defence, Ministry of Education, Ministry of Health and Ministry of Transportation.

Key insights from the review highlighted that the call circulars from the Budget Office come at short notice, making it difficult for most MDAs to submit their responses/feedback before the closure of the country's budget portal. Thus, the late submission of budget requests ultimately delays the budget preparation process, leading to the eventual late passage of the budget by the National Assembly and assent by the President. Second, respondents from both civil society and government indicated that there are often too many projects being executed at the same time despite insufficient capacity to finance, design, procure and execute them. This is largely due to political pressures to accommodate additional projects during budget hearings. Another key driver for the multiplicity of projects is the erratic and late release of funds for smooth and effective implementation of the budget, particularly the capital expenditure component. This results in projects from the prior year being carried over and accommodated in subsequent annual budgets. Third and related to the latter, is the inability of some MDAs to implement the annual budget due to unauthorised virement of funds to other projects not originally included in the appropriation act and without adherence to the virement protocols. A fourth reason identified relates to weak procurement practices, particularly red tape around approval processes which further delays the implementation of projects. Fifth, late and poor-quality budget reports hampered the ability of the legislature and the citizens to hold the executive accountable for budget policy decisions and for the prudent management of public funds. Last is the inconsistency in capital budget implementation engendered by high volatility of the revenue streams of government on account of negative shocks to oil prices and oil production, which historically have contributed the lion's share of budget funding sources at the Federal level.

1 Introduction

Nigeria's desire to reverse weak economic growth and development trends in the 1990s was one of the main drivers for the government's key public financial management (PFM) reform agenda set in the early 2000s. According to the World Bank's Public Expenditure Management and Financial Accountability Review (PEMFAR) (World Bank 2007), some of the key weakness in the economy included the lack of a sustainable fiscal framework to manage the volatility of oil revenues, inadequate budget formulation, poor expenditure prioritisation and control, and the absence of accountability mechanisms. These in turn were deemed to fuel large scale corruption and enable the misuse of public funds within the budget execution process.

In an effort to address these issues, the Federal Government of Nigeria (FGN) launched the country's National Economic Empowerment and Development Strategy (NEEDS) in 2003, which was geared towards improving efficiency, transparency and strengthening anti-corruption activities in the public sector. On the fiscal management side, key elements of the strategy included improving the budgetary planning process, maintaining an oil price-based fiscal rule, and adopting the Medium Term Expenditure Framework (MTEF). New accountability mechanisms were also proposed aimed at making public procurement transparent, efficient, open and competitive, strengthening the budget office, and ensuring better collaboration between the executive and the legislature on the budget.

Some of the initial successes achieved included the introduction of the oil price-based fiscal rule, which greatly assisted in restraining public spending and contributed to the accumulation of much needed fiscal reserves. Others required significant political commitment to tackling entrenched barriers to the translation of Nigeria's natural resource wealth into genuine development. These were expressed in improved fiscal transparency through better administration of oil taxes and increased transparency in the allocation of the Federation Account revenues, and laudable steps made in the fight against corruption in the oil sector through the establishment of Nigeria's Extractive Industries Transparency Initiative (NEITI) in 2004. Complimentary actions were also taken with economic diversification which in turn led to phenomenal growth in the non-oil sector, and the restructuring of FGN expenditure towards better financing of the Millennium Development Goal (MDG)-related activities and improved budget predictability (i.e. reducing deviations between approved budgets and actual spending), albeit from a low level.

In the later years, the FGN made significant efforts to advance PFM reforms by updating the legal framework for PFM and introducing a more strategic longer-term focus in budget management. Within this framework, certain key technical upgrades and process changes were prioritised, namely the imperative to strengthen monitoring and evaluation (M&E), improve domestic revenue mobilisation, ensure more efficient cash management, reform procurement processes and establish increased transparency of the budget process. These commitments are expressed in the enactment and establishment of the following acts (Zubairu 2016):

- Pension Reform Act, 2004 (amended in 2014);
- Fiscal Responsibility Act, 2007;
- Public Procurement Act, 2007;
- Public Service Rules, 2008;
- Financial Regulations, 2009;
- Freedom of Information Act, 2012;
- Finance (Control and Management) Act, 1958 as amended. A draft PFM law has been prepared for consideration and enactment at the National Assembly (legislature); and
- Audit Act, 1956 as amended. A Bill for a new law is before the National Assembly.

Nigeria has also been a global leader in the implementation of the NEITI (Shaxson 2009), with a focus towards reducing corruption and bribery in the oil sector. During its first five-year external review, its three-pronged audit system proved to be effective – namely the financial, physical and procedural audits which are performed annually. While financial audits showed less than 1% discrepancy between reporting from tax authorities and submissions from oil-producing companies, the process audits unearthed 'systemic governance failures that resulted in significant leakages' to the tune of USD 232 billion between 1999–2004 (Shaxson 2009). World Bank reports indicate that NEITI was able to identify about USD 20 billion in recoverable revenues and has been able to recover approximately USD 3 billion into government coffers to date.

Other noticeable reforms in financial accountability were made by the government to increase levels of reporting, monitoring and disclosure, as demonstrated by the roll-out of the GIFMIS, IPPIS, IPSAS and TSA. These are referred to in greater detail in a later review of PFM reforms in section 2.2.2 of this report.

The success achieved in these areas and other revenue-related PFM reforms, particularly in domestic resource mobilisation, are traceable to the government's strong resolve to spur economic growth and development. First, the fiscal stress suffered by the country as a result of its dependence on highly volatile hydrocarbon resources has led to increased commitment to implement reforms in the mobilisation of domestic revenue and its efficient utilisation. This was quite imperative given that, at the time the reforms were implemented, the government did not have any viable and sustainable revenue alternatives. For perspective, in 2007 more than three quarters of the consolidated government revenue came from the upstream oil and gas industry compared to 51% in 2020. Second, some of the successes were also due to the existence of a coordinating mechanism in place between 2011 and 2015 and the appointment of relatively strong and experienced technocrats into key positions in government. Lastly, the role of donors is quite noteworthy as they exert a positive influence on the government to implement some key reforms which are linked to financial and technical support.

In spite of these achievements, Nigeria's public financial management reforms have tended to be selective, infrequent and without a clear overarching framework to ensure complementarity of the reforms themselves (PEFA 2019a). While improvements have been noted in key areas, inter-agency coordination and irregular adoption of some reform initiatives often prevent the full benefits of laudable reforms from being achieved, particularly in improving the quality and delivery of public goods and services (PEFA 2019a). Underpinning some of the implementation challenges faced by these reform initiatives are the capability constraints, both at the central finance agencies (CFAs) and the implementing MDAs generally. These challenges ranged from inadequate staffing to low technical capacity and weak staff retention polices but with highly experienced and knowledgeable personnel across various institutions. The consequence is the lack of synergy and coordination among MDAs in terms of ensuring proper management and execution of cross-cutting reform initiatives, policies, programmes and projects (Sanusi II 2016).

In order to build public finance capabilities within CFAs and other relevant MDAs, the government, in collaboration with CABRI, decided to participate in a capability-building programme to tackle challenges related to the implementation of capital projects, particularly with regards to monitoring and evaluation. As part of this initiative, an assessment of institutional and personnel capabilities in the area of budget implementation, monitoring and evaluation was also undertaken. The assessment entailed the development of a qualitative and quantitative database on selected PFM dimensions to facilitate an assessment of improvement in PFM capabilities over time.

In reviewing the capability challenges in the Nigerian PFM space, CABRI's review consisted of key informant interviews (KIIs) and organisational assessment. The KIIs, which involved key stakeholders, were to refine the scope and focus of the assessment. At the second level, the organisational reviews were conducted to elicit responses on a set of key PFM functions covering seven key ministries – the Ministry of Finance, Budget and National Planning, Ministry of Works and Housing, Ministry of Power, Ministry of Defence, Ministry of Education, Ministry of Health and the Ministry of Transportation.

The report is organised in six sections, with the introduction being section one. Section 2 provides a brief background of Nigeria's economy and the extensive PFM reform history including the results of the key PFM assessments. Section 3 examines the capabilities for the implementation of capital projects in Nigeria and the problem of low budget credibility, while section 4 covers capital budget implementation and the incidence of abandoned projects. Section 5 provides key findings of the organisational and personnel capabilities in the budget process, section 6 discusses the genesis of reforms, with the last section concluding the analysis in a discussion of the overall key findings.

2 Background

2.1 Macro-economic context

With an estimated population of 193,392,517 in 2016 (Nigerian Tribune 2016), Nigeria is the most populous country in Africa and a federal constitutional republic. The administration of the government is structured along a presidential system with three tiers: Federal, State and Local Governments. Each state is divided into Local Government Areas (LGAs) and there are presently 36 states, a Federal Capital Territory and 774 LGAs.

The Nigerian economy was predominantly agrarian at independence with agriculture contributing 63.8% to GDP. This was followed by services (28.5%) and industry and manufacturing (7.6%). One of the major reasons for the decline in the share of agriculture in the GDP is the oil boom of the early 1970s and the consequential neglect of the agriculture sector. Like many resource-rich countries, Nigeria's economy and budget has been dominated by income generated from the petroleum industry. In the early 2000s, crude oil and gas accounted for 40% of the country's GDP, 70% of budget revenues and 95% of foreign exchange earnings. On account of the dramatic changes in the structure of the Nigerian economy over the past several decades, agriculture accounted for 26.2% of the GDP in 2021 while the share of industries and services stood at 21.36 and 52.44% in the same year, respectively (NBS 2021a).

In terms of growth, Nigeria's GDP averaged about 5.63% between 2011 and 2014 before plummeting to 2.86% in 2015 on account of the crash in the international price of crude oil. Not recovering from the shock immediately, the economy entered into a recession evidenced by the negative GDP growth of –1.62% in 2016. Thereafter, the economy recovered sluggishly with an average growth rate of 1.65% between 2017 and 2019 (see Table 1).

In 2021, real GDP grew by 3.4% on a year-on-year basis, showing a steady improvement in the economy. The main drivers for the steady growth include sectors and sub-sectors such as transportation and storage, electricity, air conditional and gas supply, trade and water supply and sewage (NBS, 2021a), which occurred on the back of the post COVID-19 pandemic recovery. Services contributed a significant proportion of 9.70% to GDP growth, followed by agriculture with 1.30% growth, while industries fell by 1.23% in the period under review. Non-oil exhibited a growth rate of 6.74% compared with a decline of 12.65% recorded by the oil sector (NBS 2021b).

Recent economic trends indicate that Nigeria's high susceptibility to global shocks – most especially the price volatility of oil – remain a stubborn feature in its economic health metrics with the attendant effects, such as inflation, external reserves and exchange rate challenges and with a third of Nigeria's work force unemployed (as of Q4 2020) (NBS 2021c). However, there is evidence of some humble wins, with the growth in the non-oil sector and the relative strength of the private sector (e.g. services) providing some bounce-back capability boosted by minimal targeted stimulus.

To reverse the negative trends, sustained increase in resource mobilisation and efficiency in its utilisation will lead to inclusive economic growth and development, which will benefit the majority of the citizens.

In 2021, real GDP grew by 3.4% on a year-on-year basis, showing a steady improvement in the economy.

Table 1: Macro-economic indices for Nigeria, 2011–2020

Series Name	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Population growth (annual %)	2.68	2.68	2.68	2.67	2.65	2.63	2.61	2.59	2.56	2.54
Poverty headcount ration at national poverty lines (% of population)	-	-	-	-	-	-	-	40.10	-	-
Poverty headcount ration at USD 1.90 a day (2011 PPP) (% population)	-	-	-	-	-	-	-	39.10	-	-
GNI per capita, Atlas method (current USD)	2,180	2,440	2,690	2,940	2,820	2,430	2,090	1,960	2,030	2,000
GNI per capita, PPP (current international USD)	4,650	4,740	4,970	5,320	5,280	5,120	5,030	5,040	5,180	-
Life expectancy at birth, total (years)	51.35	51.79	52.23	52.67	53.11	53.54	53.95	54.33	54.69	55.02
Mortality rate, under-5 (per 1,000 live births)	133.60	131.70	129.90	128.50	126.80	125.00	122.80	120.00	117.20	95.12
GDP growth (annual %)	5.31	4.23	6.67	6.31	2.65	(1.62)	0.81	1.92	2.21	(1.79)
Inflation, GDP deflator (annual %)	9.78	9.95	4.96	4.66	2.86	9.54	11.12	10.23	10.38	7.85
Agriculture, forestry and fishing, value added (% of GDP)	22.23	21.86	20.76	19.99	20.63	20.98	20.85	21.20	21.91	24.14
Industry (including construction), value added (% of GDP)	28.28	27.07	25.74	24.64	20.16	18.17	22.32	25.73	27.38	28.22
Exports of goods and services (% of GDP)	31.62	31.55	18.05	18.44	10.67	9.22	13.17	15.50	14.22	8.83
Imports of goods and services (% of GDP)	21.66	12.99	13.00	12.45	10.67	11.50	13.18	17.51	19.80	16.57
Gross capital formation (% of GDP)	16.36	14.96	14.90	15.80	15.49	15.37	15.47	19.81	25.42	29.40

Note: 2020 figures for Life Expectancy at Birth and Mortality Rate under 5 sourced from https://knoema.com/atlas/Nigeria/topics/Demographies

Source: World Bank Development Indicators

2.2 PFM reforms in Nigeria

2.2.1 Trends in PFM reforms in Nigeria

Initiatives to modernise the country's financial management system commenced in 2003 when the federal government decided to introduce measures to significantly strengthen governance and accountability, reduce corruption and deliver services more effectively. In line with government strong political will and desire, the Economic Reform and Governance Project (ERGP) was approved by the World Bank in December 2004, covering the following broad thematic areas:

- Public resource management and targeted anti-corruption initiatives;
- Pilot civil service administrative reforms;
- Pensions reforms; and
- Statistics and statistical capacity.

2.2.2 History and recent implementation of PFM reforms

Nigeria has been the recipient of significant technical assistance to support enhancement of many elements of its PFM system (NBS 2021b). From the World Bank tracking of PFM financial resources to Nigeria (see Table 2), the sum of USD 1.08 billion has been disbursed to the country between 2005 and 2015 (Fritz, Verhoeven and Avenia 2014).

Table 2: Support to PFM reforms (USD millions)

Year	Georgia	Nepal	Nigeria	Philippines	Tanzania
2005	7.7	0.4	11.5	0.6	59.3
2006	9.1	0.4	15.8	3.6	77.9
2007	12.6	0.2	48.7	2.8	85.0
2008	28.2	0.3	24.3	1.8	83.1
2009	42.3	0.7	39.5	3.5	64.2
2010	17.6	1.0	389.6*	5.1	62.0
2011	24.4	9.8	200.3	3.0	11.7
2012	27.1	5.7	81.5	12.2	45.5
2013	9.3	15.6	81.9	11.8	72.7
2014	37.2	6.9	167.4	17.3	72.6
2015	21.6	5.7	19.1	8.1	66.6
Total	**237.1**	**46.7**	**1,079.6**	**69.8**	**700.6**

Source: Query Wizard for International Development Statistics, 2016

* The 2010 figure for Nigeria includes a USD 350 million IDA Development Policy Operation with PFM-related triggers. Policy operations are also included for other countries.

The Economic Reform and Governance Project (ERGP) was approved by the World Bank in December 2004.

Treasury Single Account

The Treasury Single Account (TSA) is a unified accounting system created in 2012 to ensure all FGN revenues and incomes from all MDAs are deposited in one single account with the Central Bank of Nigeria (CBN) and was intended to enhance accountability and transparency by curbing leakages associated with the management of public funds. Careful sequencing and widespread adoption have been critical to its success. A pilot was launched in 2012 with 100 MDAs, and in 2015, the Buhari-led administration mandated the full and comprehensive implementation under all Federal Government MDAs. With the introduction of the policy, over 20,000 accounts of MDAs formerly housed with the deposit banks were closed and deposits amounting to N8.9 trillion were moved to the CBN as of March 2018. By streamlining previously fragmented banking arrangements, the TSA allows all FGN inflows to come through one single account, resulting in savings of at least N45 billion monthly on interest payments, in addition to over N50 billion revenue from funds mopped up from commercial banks between 2015 and 2019 (Agabi 2019). Beyond these savings, the TSA has enabled the Federal Ministry of Finance to aggregate and disburse cash more easily across government projects by simplifying the process of mopping up unspent funds and unremitted earnings, which is particularly beneficial at times of fiscal constraints.

Government Integrated Financial Management Information System

The Government Integrated Financial Management Information System (GIFMIS) was planned to be rolled out in parallel with TSA implementation to integrate information system upgrades and electronic fund transfers into the reformed public cash management system. Launched in April 2012, the GIFMIS initiative sought to improve the acquisition, allocation, utilisation and conservation of public financial resources using automated and integrated, effective, efficient and economic information systems. As of June 2020, over 800 MDAs at all levels were using it for budget implementation while only 105 MDAs have deployed all functionalities of GIFMIS effectively. However, the military and the intelligence agencies are not yet onboard due to their covert operational expenses and other non-regular allowances for personnel and officers, which are mainly cash based (Adegboyega 2020). Operationally, the platform continued to suffer from systems breakdown, switching problems and network failures which lead to delays in transactions. Overall, the implementation of the GIFMIS has achieved substantial progress due to federal government's strong commitment to achieve full roll-out across all MDAs within a short time. However, additional work is required in capacity-building and establishing business continuity and disaster recovery plans for the platform (Independent Evaluation Group 2015).

Integrated Payroll and Personnel Information System

The Integrated Payroll and Personnel information System (IPPIS) was conceptualised in October 2006 by the FGN as one of its reform programmes, to improve the effectiveness and efficiency in the storage of personnel records and administration of monthly payrolls to enhance confidence in staff emolument costs and budgeting. As of April 2018, 490 MDAs (including the Nigeria police and other paramilitary agencies) had been enrolled into the IPPIS with a total staff strength of over 700,000 employees (see History of the IPPIS). By June 2020, there were 696 MDAS on the IPPIS platform, which was then responsible for processing and payment of salaries to over 1,139,633 FGN employees (see About the IPPS). Furthermore, the IPPIS has equally helped the FGN to save over N250 billion in three years (Vanguard 2019). No doubt, these savings are among the motivating factors for government to accelerate the enrolment of all MDAs that draw their personnel costs from the Consolidated Revenue Fund (CRF) into the IPPIS (see History of the IPPIS). However, the platform needs to be strengthened in order to forestall the inclusion of ghost employees and efforts should be made to onboard the remaining MDAs onto the platform (Vanguard 2019).

International Public Sector Accounting Standards

The International Public Sector Accounting Standards (IPSAS) are a set of accounting standards issued by the IPSAS Board for government accounting in response to calls for greater government financial transparency, accountability and value relevance (Otunla undated). It was adopted by the government in 2010 and the roadmap was for the country to transit from IPSAS cash basis to IPSAS accrual basis by 2016. As of 2020, the budget and financial statements in Nigeria are not fully IPSAS-compliant as there are significant gaps in meeting the public sector-specific requirements in accordance with the IPSAS. In addition, financial reports were not being sent to the Office of the Accountant-General of the Federation (OAGF) in the required format by the MDAs (Adekoya 2020). The successes achieved so far were due to strong and sustained government commitment, but additional investment is required for training and capacity-building of relevant staff in order to effectively accelerate the transition to IPSAS accrual basis (Independent Evaluation Group 2015).

Central Delivery Coordination Unit

The Central Delivery Coordination Unit (CDCU) was established in 2020 with the responsibility of tracking and reporting performance against the ministerial mandates and outcome-level results, as well as building capability and strengthening coordination for delivery of the nine key priorities of the FGN (PERL 2021a). After the establishment of the CDCU, a performance management architecture was developed to fundamentally deliver a structured approach to the performance measurement. In addition, the CDCU has finalised and validated the results framework and performance data for tracking the nine priority areas of the FGN (PERL 2021b). One of the key success factors in the establishment of the CDCU is the strong political supports and the location of the Unit within the Office of the Secretary to the Government of the Federation (OSGF), coupled with technical support from the UK Foreign, Commonwealth and Development Office (FCDO)-funded Partnership to Engage Reform and Learn (PERL) Programme (PERL 2021a).

Efficiency Unit

The Efficiency Unit was established in November 2015 under the Ministry of Finance to improve public-sector efficiency and public spending. The Unit's mandate is to improve the efficiency of administrative processes and procedures, with a focus on procurement in order to ensure value for money and realise savings on operational spending (Zubairu 2016). Within the two years of its existence, the Unit has been able to achieve the following (Chidi 2017):

- Secured discounts of between 5–50% from 19 local and international airlines with a potential savings to government of about N5 billion on air travel;
- Ensured that some government agencies are relocated to buildings forfeited to government to reduce expenditure on rent;
- Cut costs on spending by MDAs on meals and refreshments at meetings, seminars, workshops, etc., and savings from the exercise amounted to about N1 billion annually;
- Achieved a 50% reduction in the frequency of payment of sitting allowances for board and committee meetings, culminating in savings of about N1 billion per annum; and
- Restricted foreign travel by officials/staff of MDAs, which led to an estimated saving of over N10 billion yearly.

The initial successes recorded by the Efficiency Unit were due to government's strong political desire to stem wastage and reduce the cost of governance. However, holistic re-orientation of the public service in terms of culture and skills is required in order to make the initiative sustainable and beneficial to the government and citizens at large (Omoregie 2015).

Summary

To derive the full benefits of the complementarity of TSA and GIFMIS reforms, the FGN requires the remaining government agencies to operate under these two systems and provide automated interfaces with other transaction processing systems (such as the IPPIS, the payroll system). Operationalising the direct deposit functionality of the GIFMIS to automate the remittance of MDAs' revenues from collecting banks into the TSA will further close the loop on electronic tagging of cash inflows. However, initiating these processes first requires a comprehensive, uniform coding across MDAs and the end of bulking transactions – in other words, a massive overhaul of the bureaucratic system and practices. Further optimisation does not overshadow the significant gains made in cash-flow management and the partial automation of financial management under the TSA, IPPIS and GIFMIS. Rather, it points to the painstaking and gradual nature of management reforms which seek to replace embedded systems in Nigeria.

"The Efficiency Unit restricted foreign travel by officials/staff of MDAs, which led to an estimated saving of over N10 billion yearly."

2.3 Reform outcomes

The Public Expenditure and Financial Accountability (PEFA) assessments conducted in 2012 and 2019 noted the various PFM reforms that Nigeria has instituted over the past decade to address challenges in different areas such as poor service delivery, budget transparency and accountability, as well as corruption and tax evasion. For instance:

- Considerable improvements in tax administration and compliance, resulting in increased revenue collections in recent years. However, the capacity to create sound revenue forecasts and undertake cash planning remains a major area of weakness which continues to undermine the credibility of the budget.
- Improvements in budget transparency with the National Assembly as well as the general public in terms of availability of more comprehensive budget documentation.
- The GIFMIS promoting improvement in effectiveness of financial controls. Fairly adequate systems also exist for capturing budget documentation and revenue transfers to sub-national governments.
- Improvements on the reporting of cash balances, debt management and the bank account reconciliation process, with comprehensive consolidated financial statements which comply with national standards.

Despite some modest gains and successes, the assessment revealed that the multiplicity of reforms has often resulted in their segregation, thereby hampering the overall objective 'to coordinate structural reform of the budget system and undertake meaningful legal and institutional reform as well as other key steps aimed at improving the allocation of budgetary resources and the quality of service delivery at the Federal level' (PEFA 2019a).' On the one hand, evidence suggests that, commencing in 2007, fiscal authorities progressed in their core efforts to improve domestic revenue mobilisation and exercise better control of available domestic resources to ensure fiscal discipline in an environment troubled with volatile oil resources and a low tax base. On the other hand, performance indicated that the result of running a plateful of reform initiatives, several of which are undertaken in isolation from the others, did not succeed in bringing about coordinated budget system structural reform. This included undertaking meaningful legal and institutional reform and other key steps aimed at improving the allocation of budgetary resources and the quality of service delivery at the Federal level.

Further, the findings from the Office of the Auditor-General of the Federation (OAuGF 2018) indicated significant weaknesses in expenditure control and financial reporting by MDAs. These weaknesses no doubt implied that the fight against corruption and the modest gains achieved from the upstream PFM reforms may be lost (Onwuamaeze 2021). Some of the key findings (OAuGF 2018) included (i) the refusal of several of the parastatals (those not to be audited directly by the OAuGF) to submit their annual accounts and audit reports to the OAuGF for vetting and comments as required by the Constitution, a problem that has been made progressively worse; (ii) several financial infractions worth N105.76 billion due to irregular expenditure, under and non-remittance of revenue generated by MDAs, and a high magnitude of unretired advances; (iii) continuous failures by MDAs to faithfully implement the IPSAS; (iv) perennial low levels of budgetary releases across MDAs, which have continued to render the annual budget execution process ineffective to a large extent, especially the capital expenditure; and (v) low and grossly inadequate funding for the OAuGF in the context of fulfilling its constitutional mandate.

What comes out clearly is the imperative for a coordinating mechanism that will ensure proper sequencing and compatibility of the various reforms for stronger and noticeable results. In addition, consistency in the implementation of some key reform agendas is equally key as against the ill-advised truncation of the performance-based budget and its replacement with zero-based budgeting. Equally important is the need to have a nuanced approach to some PFM programmes, evidenced by the impatience of the FGN to transit from cash-based to accrual basis IPSAS accounting within a short period of four years. This is a programme that would have taken a longer period to achieve given the rigour and complexity of the required actions and activities.

3 Budget implementation and monitoring

3.1 Budget execution process

Budget implementation involves the process of how funds are actually spent to implement the policies, programmes, and projects outlined in the budget (International Budget Partnership 2011). The budget execution process generally follows five steps:

1. Monies are released to various line ministries (or departments/agencies) as per the approved budget.
2. Agencies initiate expenditures directly or by procuring goods and services.
3. Payments are made for these expenditures.
4. Expenditure transactions are recorded in accounting books.
5. Execution reports (In-year and mid-year) are produced throughout the year, culminating in the closure of the accounting books and the production of year-end reports (the final execution report of a given budget year).

There are several laws that guide the implementation of the federal budget. Chief amongst them are the 1999 Constitution of the Federal Republic of Nigeria and the Fiscal Responsibility Act No. 31 of 2007 (FRA), among others. The former, for example, outlines certain authorisations intended as controls on how public finances are pooled, transferred and expended. For example, section 80(1) of the Constitution prescribes that all revenues or other moneys raised or received by the FGN shall be paid into and form one Consolidated Revenue Fund (CRF). Similarly, section 80(2) states that no moneys shall be withdrawn from the CRF except to meet expenditures that have been appropriated by the National Assembly.

In addition to the provisions of the Constitution, the FRA under section 25(1) states that the FGN shall prepare a federal annual cash plan which shall be prepared by the OAGF. In addition, section 30(1) empowers the Minister of Finance, through the Budget Office of the Federation (BOF), to monitor and evaluate the implementation of the annual budget. It also mandates the Minister to assess the attainment of fiscal targets and report quarterly to the Fiscal Responsibility Commission (FRC) and the Joint Finance Committee of the National Assembly. Lastly, in order to ensure transparency and accountability, section 50 of the FRA mandates the FGN through the BOF to publish a summarised report on the budget within 30 days after the end of each quarter. Similarly, the FGN is expected to prepare and circulate the annual consolidated budget execution report not later than six months after the end of the financial year. This report must show implementation against physical and financial performance targets and shall be published by the Minister of Finance for submission to the National Assembly and dissemination to the public.

As per the FRA, these reports are to be submitted to the Joint Finance Committee of the National Assembly (NASS) and the FRC. They are also to be disseminated widely to all stakeholders and the general public through electronic and other media. Operationally, the BOF prepares quarterly and yearly budget implementation reports, but they are typically released late and the information provided is not comprehensive, thereby hampering their effectiveness in monitoring budget performance (PEFA 2019b). This has been corroborated by the FRC, which had continuously nudged the BOF and other agencies for prompt preparation of the relevant reports specified in the FRA to ensure more reliable budget implementation monitoring. Physical verification of selected FGN capital projects is carried out across the six geo-political zones of the country when funding is available to monitor execution of such projects and to ensure value for money (Muruako 2016). For the Joint Committee of the National Assembly, their remit is to ensure that the executive implements the budget as approved.

3.2 Challenges with budget execution in Nigeria

One of the key challenges in the budget execution process is the late passage of the federal budget by the NASS, which invariably extends the implementation of budgets into the subsequent year, particularly the capital expenditure. The FRA does not specify a time-limit for the submission and passage of the annual budget into law, but it is reasonable to expect that the budget instrument should be ready for execution from the beginning of the fiscal year (Muruako 2016). Moreover, the Constitution (as amended), under Part IV: Interpretation, Citation and Commencement Section 318, defines 'financial year' as any period of 12 months beginning on the first day of January in any year or such other date as the National Assembly may prescribe. Figure 1 presents the number of days it took for the various budgets to be signed into law by the President in the concurrent budget years.

Figure 1: Timelines for budget enactment, 2000–2020

Source: Budget implementation reports, various years, see Budget Office of the Federation

Other constraints to effective budget implementation include poor conceptualisation of the budget, the inadequacy of implementation plans, the non-release or late release of budgeted funds, an ineffective budget monitoring framework and lack of technical capacity among MDAs (PEFA 2019a). Others are absence of value for money audits, due process audits and cost audits (Obara 2013).

3.3 Credibility of the budget

The problem of low budget credibility is one of the key risks to effective implementation of the budget in Nigeria. Some of the identified issues are briefly explained below.

Volatility of the revenue streams. Uncertain and erratic flows in oil revenue is a major challenge causing low budget credibility. Some of the underlying issues include poor forecasting of the macroeconomic indicators such as the crude oil price, volume of crude oil production and export, exchange rate and inflation, and delays in the receipt of revenue flows.

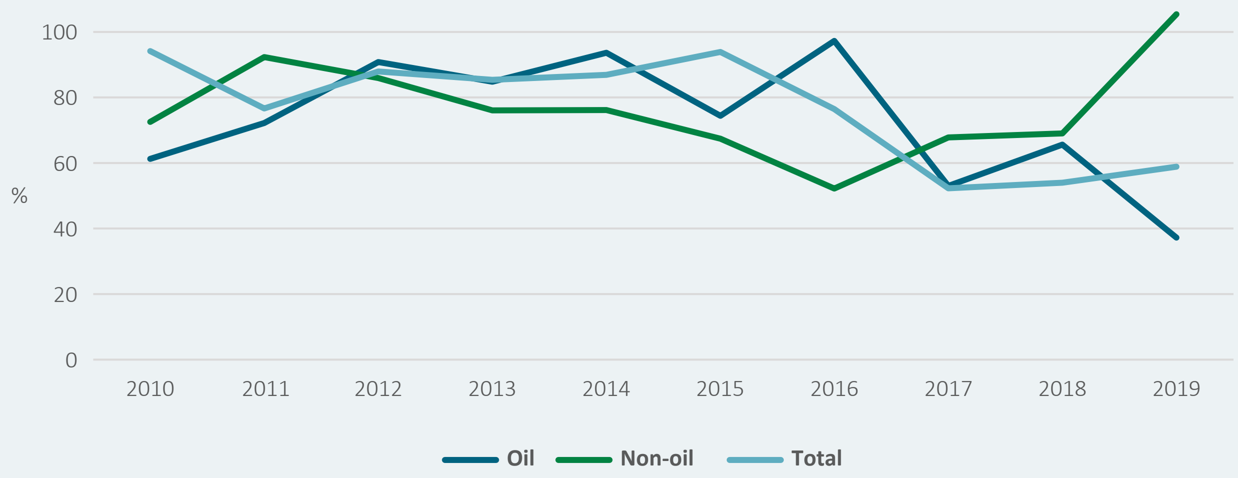
Procurement. Some of the underlying issues include the complex and cumbersome nature of certain procurement, which creates delays in the take-off and the execution of projects; and lateness in the advertisement of procurement contracts by some MDAs in the fourth quarter of the year. Delay in project execution also occurs due to unresolved compensation issues on project right of way.

Political interference. This results in aggressive and ambitious projections which are unrealistic and unachievable by any standard. One of the consequences is the incidence of constituency projects which members of the National Assembly insert into the budget during appropriation.

Irregularity of the budget calendar. This creates a situation where budget implementation may start as late as the middle of the fiscal year, thus rendering the budgeted amounts on both sides unrealistic and unachievable. Consequently, the delay in the passage of the budget leads to poor budget implementation, particularly the capital expenditure component.

Available BOF data from between 2010 and 2019 indicates that actual total revenue has consistently been below the projected figure for all the years (see Budget Office of the Federation). Between 2010 and 2015, actual total revenue was above 75% of the budgeted figure (see Figure 2). However, since 2016, the performance of actual total revenue vis-à-vis approved revenue trended generally southward, reflecting increased difficulties of the FGN in meeting its projected revenue both from oil and non-oil sources.

Figure 2: Percentage of deviation of oil and non-oil revenue, 2010–2019



Source: Budget implementation reports, various years, see Budget Office of the Federation

The problem of low credibility of the budget has seriously hampered the ability of the FGN to improve the allocation of budget resources in a strategic and transparent manner. While most commentators suggested that high volatility in crude oil prices was the cause of low credibility of the Federal Budget, the problem can also be traced to the underperformance of customs and independent revenues of the FGN (see Budget Office of the Federation). On the expenditure side, aggressive and ambitious projections are driven by both executive actions and the legislative amendment powers during the passage of the budget, particularly as the National Assembly inserts additional projects into the national budget amidst pressures from their constituents. This increases the risks of underspending on capital budgets, particularly in the priority sectors such as health, education and nutrition (see Budget Office of the Federation).

Addressing the above challenges involves engaging both the executive and the legislature. On the executive side, this would mean (i) more effort in improving budget execution; (ii) a better procurement and internal control process; (iii) linking policy, planning and the budget in a strategic manner; (iv) the full independence of the OAuGF in carrying out its statutory mandates; and (v) ensuring that capital expenditure programmes are multi-year programmes by design and execution. On the legislative side, there is need for (i) better scrutiny of audit reports; (ii) regular and prompt sharing of audit recommendations with the executive; and (iii) ensuring a more proactive and effective approach to oversight of the MDAs.

3.4 Monitoring and evaluation

Discussion with some MDAs indicated that monitoring by different agencies added tremendous value to the programmes and projects, particularly in the area of verification. Personnel capacity is not a challenge in the monitoring of projects and programmes, but additional training is still required to upscale the technical capacity and knowledge of the staff. In some of the MDAs, monitoring and evaluation missions cover the procurement process in terms of compliance, and the Bureau of Public Procurement (BPP) plays a key role in the facilitation process for procurement-related issues. In terms of reporting, some MDAs carry out financial reporting (including macroeconomic status) on a quarterly basis, whereas physical inspection of capital projects is limited to twice a year. Lastly, some CFAs, such as the BOF, publish monitoring reports on their website and in a booklet.

For most MDAs, the budget implementation report is usually delayed beyond the statutory quarterly basis due largely to lack of resources, both personnel and funds. Specifically, there are issues around insufficient manpower in some instances as the officers and the resources cannot cover the six geo-political zones of the country within the prescribed timelines. A Ministry of Transportation staffer was quick to clarify that the approval and time allocated for monitoring is more of a constraint than funding itself. In his words, 'time allocated for monitoring is often too short – not even enough to go through the records'.

Other challenges reported during the key informant interviews include the use of photographs to substantiate monitoring reports instead of verifiable and standard measuring metrics; poor data quality from most of the reporting MDAs; non-submission of reports by some MDAs such as the military and other security agencies; overlap of monitoring functions by many agencies; lack of access to training and the right technology; and inadequate time to carry out M&E activity (quarterly instead of annual).

3.5 Budget implementation reports

Budget implementation reports are a key means of opening up access to information on public spending in alignment with Nigeria's Freedom of Information Act of 2011. However, evidence indicates that most of these reports are late, sometimes up to a period of two quarters due to late/no release of funds and/or the non-implementation of capital projects. In addition, the reports are pictorial in nature without reference to quality and the targets set in the budget for the completion of these projects.

The feedback from the key informant interviews highlighted key challenges militating against prompt release of these reports, namely:

- **Lack of adequate resources (personnel and funds)** to conduct physical inspection of capital projects on a quarterly basis due to funding constraints and the inability of the monitoring teams in the MDAs to visit all the project sites scattered nationwide. Another related challenge is lack of training to boost the capabilities of the officers involved in the exercise as well as the use of rudimentary tools to capture the key elements in the project monitoring.
- **Lack of access to the GIFMIS database and cooperation**, particularly by some big spending MDAs, is one of the major challenges in monitoring. Reasons include refusal by some MDAs such as the Ministries of Defence, Health and Transport to make their reports available to the BOF and the FRC; late approval and time allocated for monitoring; lack of cooperation from MDAs as they provide information in a fragmented way, thus reducing the efficiency of monitoring missions; and the fact that some MDAs do not assign the right person to accompany monitoring missions, creating undue delays and information gaps.
- **Duplication of monitoring functions** hamper prompt response from the MDAs due to the overlapping roles of many agencies in the M&E process. The involvement of many agencies such as the National Assembly, BOF, FSC, OAGF and the OAuGF exerts undue pressure on the MDAs in rendering prompt and detailed budget implementation reports. With the plethora of responses to be made, the MDAs are overwhelmed and get worn out.
- **Weak incentive structures for MDAs to comply** with monitoring findings as funds get released regardless. Without adequate sanctions or a rewards system in place, the failure of some MDAs to render lawful and legitimate budget implementation reports to the appropriate authorities (the BOF, NASS and FSC) will continue unabated. This tendency will greatly impair the ability of the FGN to efficiently and effectively allocate available resources to agreed strategic priorities such as education, health and critical infrastructure.

Ultimately, the absence of or delays in making implementation reports available rob government of the chance to make informed decisions on budget allocations to priorities that improve the well-being of the citizens. These delays also impede those same citizens to assess the performance of the budget on an ongoing basis and the ability to truly evaluate the effectiveness and efficiencies of budget execution in Nigeria. The general perception across citizen groups is that that the budget implementation reports are not comprehensive enough and lack adequate quality.

3.6 Role of CSOs in budget implementation

The role of civil society organisations (CSOs) in budget implementation is paramount as they not only help in improving the processes, policies and outcomes but also serve as a means of empowering communities to track the performance of government in their respective local areas (International Budget Partnership 2011) . Specifically, CSOs carry out this responsibility through advocacy, monitoring and evaluation. CSOs conduct independent monitoring of projects, identify problems in service delivery (International Budget partnership 2011), raise red flags whenever the execution of projects does not accord with the Public Procurement Act of 2007 and disseminate information about their observations and findings to relevant government agencies and the general public (Mokuolu undated).

A decade since the recent passing of the Freedom of Information Act (FOIA) in 2011, information in the public space remains rather scanty. The FOIA gives members of the public and organisations the right to request and access information from any federal government agency providing a public service. Yet in most cases, both requested and statutory publications, such as the findings and the recommendations of the committee in its oversight function, are not available in a timely manner or format, crippling the efforts of CSOs in effectively undertaking targeted advocacy and lobbying.

Overall, CSOs have contributed to increased public debate on issues surrounding the formulation and implementation of government budgets as well as in supporting greater transparency of public revenues in Nigeria (Okonjo-Iweala and Osafo-Kwaako 2007). However, more effective participation of civil society groups in public discussions on fiscal transparency requires strengthening the capacity of these organisations to participate in such debates. To ensure effectiveness of their roles, government officials must also be receptive and welcome the increasing involvement of civil society to increase accountability and transparency of the budget process (Okonjo-Iweala and Osafo-Kwaako 2007).

4 Implementation of capital projects: The challenge of abandoned projects

Abandoned projects are, by simple definition, projects that the government intended to implement for a specific welfare objective for the citizens, but which do not materialise due to non-completion or dis-use, thus resulting in redundancy (The Sun 2020).

4.1 Abandoned projects in Nigeria

According to a survey conducted by the Chartered Institute of Project Management of Nigeria, the total monetary value of abandoned projects in Nigeria was conservatively put at over N12 trillion and the number of projects was over 56,000, spread across the six geo-political zones of the country. In the same survey, it was estimated that 15,000 abandoned projects are located in the South-East geo-political region of the country, 11,000 in the South-South, 10,000 in the South-West, 6,000 in the North-West, 7,000 in the North-Central, 5,000 in the North-East and 2,000 in Abuja (Ebatamehi 2019). Recently, it was reported that the number of abandoned projects in the Niger-Delta, including other states in the South-South, was over 13,000 (Premium Times 2021). Indeed, an investigation of the incidence of abandoned projects during the Jonathan government estimated the cost to be over N17 trillion (Stears 2019), indicating the complex nature of the problem. Given the enormity of the problem, critical stakeholders, including members of the House of Representatives, have decried the growing number of abandoned projects nationwide, stressing that it is inimical to the growth and development of the country (Vanguard 2021). In the same report, the House of Representatives alluded to the obnoxious practice of duplicating projects in the annual budget exercise.

Various authors have adduced different reasons for the high incidence of abandoned projects in Nigeria to the extent that some have labelled the country the 'junk yard' of abandoned projects in the world (Osemenan 1987). Some of the reasons include inadequate or disjointed budgeting, inappropriate funding, poor project planning at the initial stage, poor project management, corruption, absence of continuation of government policies by the succeeding regime, and incompetent and unqualified contractors (The Sun 2020).

Apart from the enormous economic and financial loss to the country, abandoned projects pose serious security and environment risks to the locations of these projects. Specifically, project abandonment results in the wastage of valuable government resources – financial and human – poor service delivery, lower employment opportunities, loss of revenue to government, incidence of non-performing loans and the reduction/loss of foreign direct investments into the country.

4.2 Analysis of capital expenditure performance

The biggest credibility problem in Nigeria's budget system is on capital expenditure, where the execution is significantly lower than the approved budget – with underspending occurring in the economic sectors and affecting major infrastructure projects in transport, energy and petroleum (Atiku and Lakin 2019).

Available information from the BOF shows that capital expenditure averaged 27% of total budgeted expenditure between 2010 and 2019, ranging from the lowest level of 12.4% in 2015 to the highest ratio of 34.2% in 2010 (see Table 3 and Figure 3). The data also shows that there are wide variations between the amounts budgeted, released, cash backed and utilised from year to year.

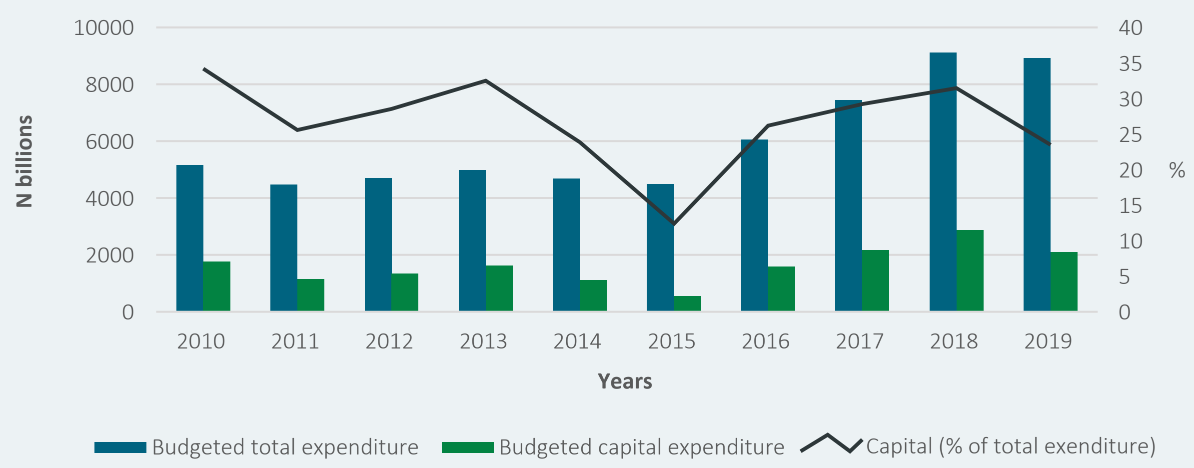
The biggest credibility problem in Nigeria's budget system is on capital expenditure.

Table 3: Capital expenditure in Nigeria, 2010–2019 (N billions)

Year	Budgeted total expenditure	Budgeted capital expenditure	Capital (% of total expenditure)	Capital released	Capital cash backed	Capital utilised	Cashback performance (% of cash backed)
2010	5159.66	1764.69	34.20	963.12	956.11	945.50	98.89
2011	4484.74	1146.75	25.57	864.32	812.00	713.14	87.90
2012	4697.21	1339.99	28.53	1017.46	739.30	686.29	92.83
2013	4987.24	1621.48	32.51	1008.18	1004.07	968.93	96.50
2014	4695.19	1119.62	23.85	501.79	501.72	490.92	97.85
2015	4493.36	557.38	12.40	387.39	387.39	358.21	92.47
2016	6060.48	1587.40	26.19	1219.47	1219.47	1191.97	97.75
2017	7441.18	2174.50	29.22	1563.15	1563.15	1439.97	92.12
2018	9120.33	2869.60	31.46	1862.22	1862.22	1655.26	88.89
2019	8916.96	2094.95	23.49	1165.51	1165.51	NA	NA

Sources: Budget implementation reports, various years, see Budget Office of the Federation

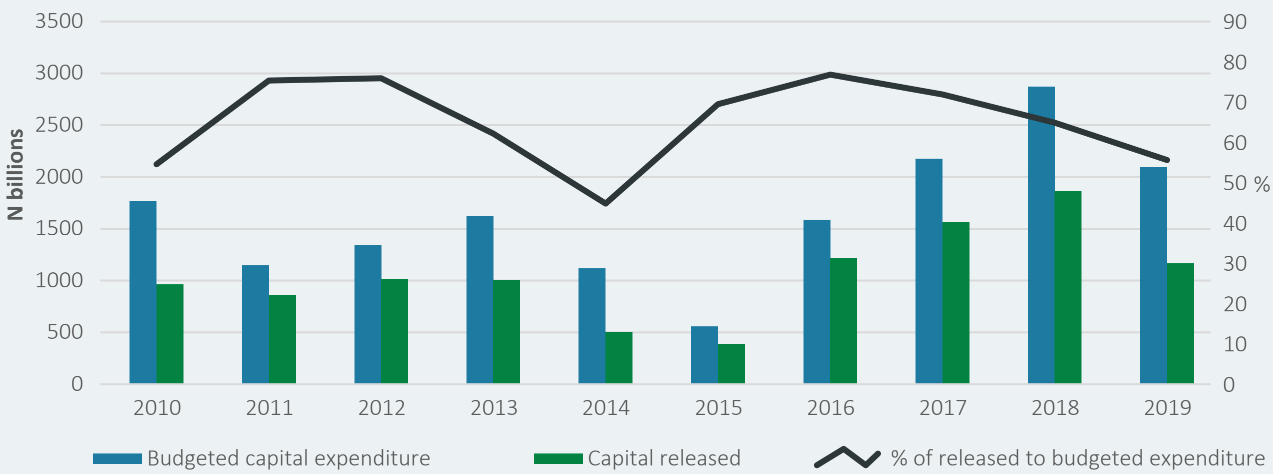
Figure 3: Percentage of capital expenditure to total expenditure, 2010–2019



Sources: Budget implementation reports, various years, see Budget Office of the Federation

While it is worrisome that budgeted capital expenditure accounted for a relatively small proportion of the annual budget, it is more problematic that the capital released for capital expenditure is even smaller than the amount budgeted (see Figure 4). The untimeliness of cash releases[1] indirectly affects the government's actual capital spending. Succinctly put by an official from the Ministry of Works, 'The problem is not just delay in release, but the fact that you do not know for sure whether the funds are coming at all.' Even though MDAs could in theory start the procurement process for projects once cash and procurement plans have been approved, they sometimes wait until the last quarter to advertise tenders due to historically uncertain disbursements that have led to significant delays and cost overruns. This treasury credibility issue and sluggish budget releases have a negative but logical impact on the attitudes and behaviours of staff. A budget desk officer at the Ministry of Power notes that 'civil servants are not motivated to get the process started unless they are sure the money is there' – typically to avoid premature commitments to third parties.

Figure 4: Percentage of capital released to budgeted capital expenditure, 2010–2019



Sources: Budget implementation reports, various years, see Budget Office of the Federation

4.3 Implementation of capital projects

Further compounding trimmed and delayed releases, the amount of capital that is cash backed (effectively transferred to MDA accounts) is smaller than the capital released, while an even smaller amount of the capital was utilised between 2010 and 2019 (see Table 3).

Data from the BOF showed that cash backed as a percentage of budgeted capital expenditure ranged between 55.17% in 2012 and 76.82% in 2016, averaging 65.83% in the period under review. It is also noteworthy that this ratio has been decreasing considerably since the 2016 peak (see Table 4). On the other hand, the ratio of capital utilised to cash backed in the period under review averaged 93.9%, with the highest ratio of 97.74% obtained in 2016 and the lowest performance of 87.83% achieved in 2011 (see Table 4).

Information available from the BOF also shows a gradual decrease in the percentage of capital budget that is effectively used over the years (see Table 4). Similarly, the percentage of capital utilised to cash backed fell generally between 2016 and 2018. In addition, there is no sector that achieved 100% utilisation rates with respect to either capital cash backed or capital appropriated, suggesting the inability of the federal government to fully implement the capital projects (see Table 5). The consequence of this is the high incidence of abandoned or delayed projects nationwide.

1 An exception here is the Ministry of Defence, where the timeliness of budget releases was not reported as a challenge during the stakeholder interviews.

Table 4: Capital budget performance metrics, 2010–2019

Year	Capital released to capital budget expenditure	Capital cash backed to capital released	Capital utilised to capital cash backed	Capital utilised to capital budget expenditure	Capital cash backed to budgeted capital expenditure
2010	54.58	99.27	98.89	53.58	54.18
2011	75.37	93.95	87.83	62.19	70.81
2012	75.93	72.66	92.83	51.22	55.17
2013	62.18	99.59	96.50	59.76	61.92
2014	44.82	99.99	97.85	43.85	44.81
2015	69.50	100.00	92.47	64.27	69.50
2016	76.82	100.00	97.74	75.09	76.82
2017	71.89	100.00	92.12	66.22	71.89
2018	64.89	100.00	88.89	57.68	64.89
2019	55.63	100.00	NA	NA	55.63
Average	65.16	96.55	93.90	59.32	62.56

Sources: Budget implementation reports, various years, see Budget Office of the Federation

Table 5: Capital cash back utilisation rates in priority sectors in Nigeria, 2016–2018

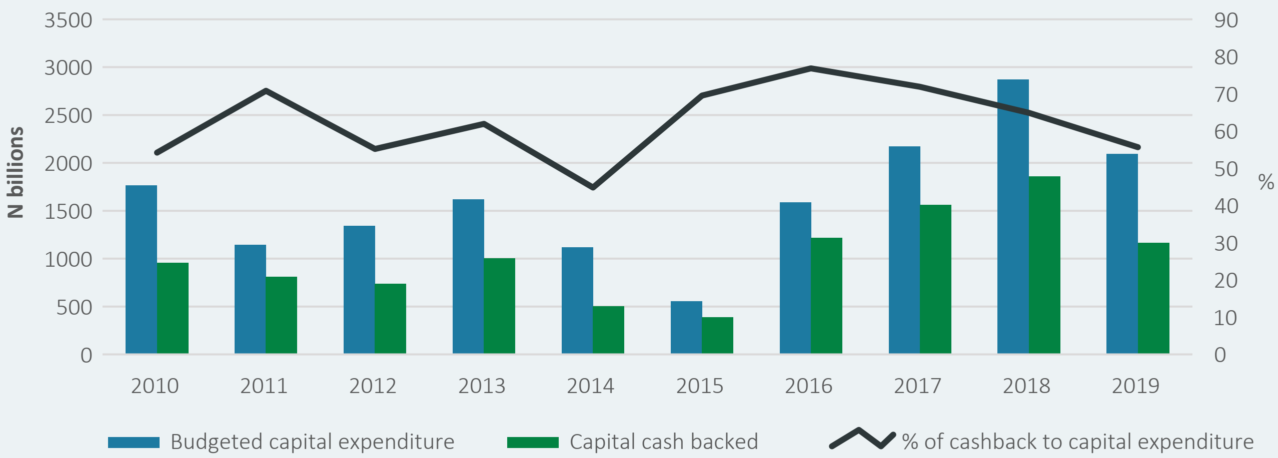
	2016			2017			2018		
	Utilisation as % of:								
MDA	**Annual capital appropriation**	**Budgetary releases**	**Cash backed funds**	**Annual capital appropriation**	**Budgetary releases**	**Cash backed funds**	**Annual capital appropriation**	**Budgetary releases**	**Cash backed funds**
Works, Power & Housing	71.16	97.91	97.91	48.69	80.09	80.09	48.29	86.28	86.28
Transport	71.42	94.15	94.15	51.44	97.20	97.20	51.27	92.55	92.55
Education	58.76	91.94	91.94	55.73	94.58	94.58	45.20	73.81	73.81
Health	97.07	97.26	97.26	87.84	92.77	92.77	61.27	83.47	83.47
Defence	72.30	97.29	97.29	84.48	99.99	99.99	80.00	95.03	95.03
Total average utilisation by all MDAs*	65.06	97.75	97.75				57.66	88.89	88.89

* Inclusive of capital supplementation

Sources: Budget implementation reports, various years, see Budget Office of the Federation

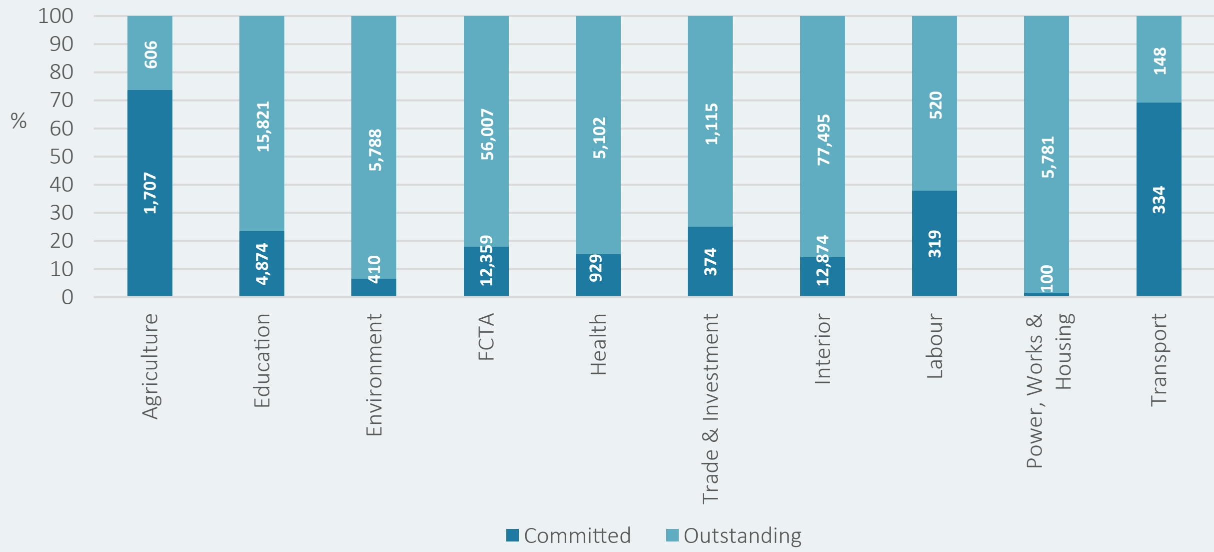
Inadequate revenue backing, late release of funds to the MDAs and weak capacity to manage the procurement process and the various projects and programmes means the FGN is not able to fully implement its capital budget. Absence of credible funding plans also implies that the required expenditure and investment needed in key priority sectors of the economy may be elusive and beyond the financial capacity of the government. There is no doubt that this problem has severe implications for inclusive and equitable economic growth and development (Olaoye, Oladipupo and Joshua 2017) and without real investments in capital spending in critical sectors of the economy, Nigeria's economic growth and development will likely remain stagnant for years to come.

Figure 5: Percentage of cash backed to budgeted capital expenditure, 2010–2019



Sources: Budget Implementation reports, various years, see Budget Office of the Federation

Figure 6: Analysis of abandoned projects in Nigeria, 2000–2015 (N millions)



Sources: Budget Implementation reports, various years, see Budget Office of the Federation

4.4 Recommendations

Abandoned projects represent an important inefficiency in the management of public finances and are not conducive for economic growth and development. Based on the findings above, it seems that improving budgetary allocations towards capital projects with secured funding; prompt and regular release of funds; proper planning and good project management; proper sequencing of capital project execution at the MDA level; adherence to appropriation laws with respect to priority projects; reduction of political intervention in budget execution; better and improved procurement practices; and the strict adherence to the January–December fiscal year in budget appropriation and execution would all help alleviate some of the inefficiencies.

For effective management of abandoned projects, it is imperative to have reliable information and a register of abandoned projects, including the submission of all ongoing projects within a certain time frame during the annual budget process. Furthermore, classification of abandoned projects should differentiate between projects that are no longer viable (i.e. due to outdated technology or major shifts in policy direction) and those that still have relevance.

> *Classification of abandoned projects should differentiate between projects that are no longer viable and those that still have relevance.*

5 Personnel capabilities in PFM

A recurring theme in the qualitative analysis of organisational capabilities of the previous sections speaks to the range of human resource gaps and coordination deficits that underpin the poor performance of budget monitoring and management. Maximising the gains of recent PFM cross-sectoral reforms will require deeper institutionalisation, proper deployment of reliant technologies and upskilling of officials in implementing units. Attracting, training and retaining high quality professional staff is a first order priority for the FGN. Years of underfunded government institutions and deteriorating public trust have led to challenges in people management and morale in the civil service.

This section explores the personnel capabilities across planning, budgeting and M&E functions in a sample of Federal MDAs, comprised of both institutions with centralised financial management mandates and major capital spenders with direct implications for Human Development Index (HDI) performance and development outcomes. The findings presented are based on survey data collected from officials at seven ministries, namely Finance, Budget and National Planning (FBNP); Education; Heath; Defence; Power; Transportation; and Works, Infrastructure and Housing.

A total of 293 officials – 35.5% of which were female – were interviewed in an exercise to understand how competencies, skills and management experienced by civil servants in Nigeria's federal government bodies to lay the groundwork for country-driven strategies to build capabilities and coordinate reforms.

Table 6 below presents a summary of the demographic profile and other relevant characteristics of the survey respondents. At least two out of five of the technical staff interviewed had completed post-graduate training, with 60.8% at senior management level. Desk officers and core ministerial staff from the departments of M&E and of Planning, Research and Statistics were classified under the same category given the similarities in their data-gathering and planning functions. Within this report, they are referred to collectively as 'M&E/ Planning' officials.

Table 6: Summary of characteristics of the sampled officials

	FBNP	Education	Defence	Power	Transport	Infrastructure	Health	Overall
Frequency (%)								
Female	**13** (28.2%)	**21** (42.8%)	**21** (42%)	**11** (27.5%)	**9** (22.5%)	**17** (40.5%)	**12** (46.2%)	**104** (35.5%)
Male	**33** (71.7%)	**28** (57.1%)	**29** (58%)	**29** (72.5%)	**31** (77.5%)	**25** (59.5%)	**14** (53.8%)	**189** (64.5%)
Senior management	**25** (54.3%)	**32** (65.3%)	**21** (42%)	**29** (72.5%)	**30** (75%)	**31** (73.8%)	**10** (38.5%)	**178** (60.8%)
Mid-level	**21** (45.7%)	**17** (34.7%)	**29** (58%)	**11** (27.5%)	**10** (25%)	**11** (26.2%)	**16** (61.5%)	**115** (39.2%)
Postgraduate training	**25** (54%)	**14** (28.5%)	**11** (22%)	**18** (45%)	**14** (35%)	**28** (66.6%)	**12** (46.1%)	**122** (41.6%)
Total sample	**46** (15.7%)	**49** (16.7%)	**50** (17.1%)	**40** (13.7%)	**40** (13.7%)	**42** (14.3%)	**26** (8.9%)	**293** (100%)
Mean (SD)								
Age	**45.4** (7.71)	**47.8** (7.87)	**45.1** (8.5)	**44.7** (8)	**49.3** (6.3)	**42.6** (5.4)	**42.9** (8.8)	**45.6** (7.8)
Years of experience in current post	**4.9** (4.3)	**4.2** (3.6)	**4.1** (2.8)	**3.8** (1.9)	**4.4** (5.4)	**3.1** (1.6)	**3.5.** (1.8)	**8.6** (6.9)

On average, respondents had worked in the public sector for over ten years, with finance and accounts, planning and M&E staff having been in service for at least an additional five years. A majority (58%) had educational backgrounds in PFM-related fields, with a strong 29% having a policy-oriented degree, typically in a social science discipline. This reflects the moderately professionalised and experienced background of participants in the study. Officials from the finance and accounts departments also comprise the most experienced group, with 19.3 years served on average within the civil service and over eight years in their current organisations. This continuity of personnel placements in this division contributes to MDAs being able to retain the skills and knowledge cultivated in-house year to year.

Figure 7(a) and (b): Gender and distribution background of the sampled officials

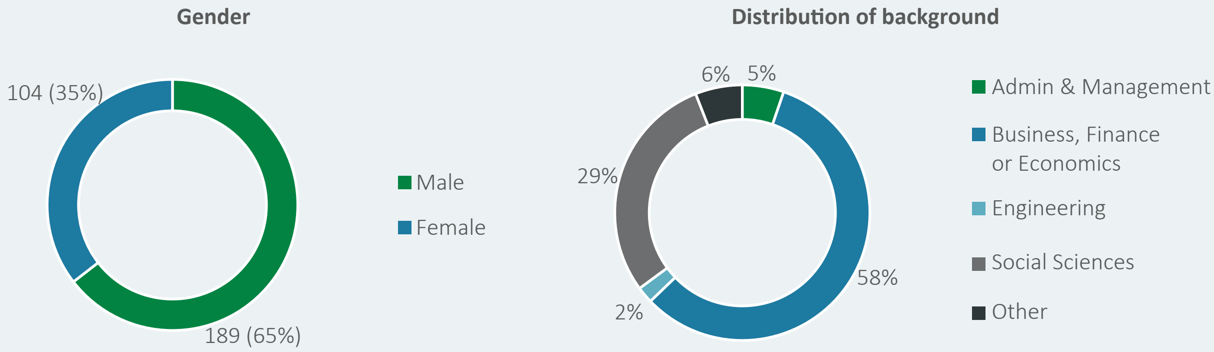
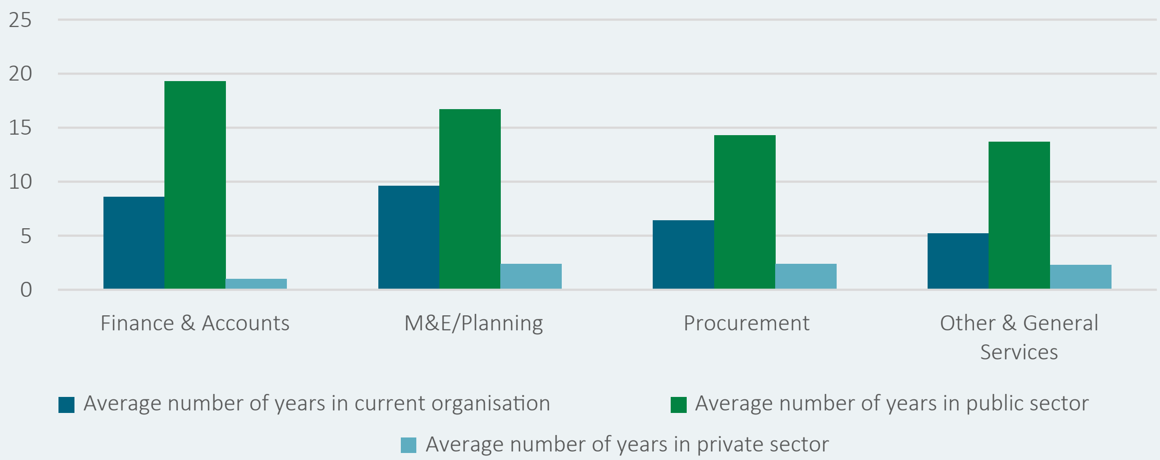


Figure 7(c): Distribution of years sampled officials have worked in the public and private sectors



5.1 Motivation and job satisfaction

Civil service effectiveness is not only dependent on technical abilities but on the capacity to scale political barriers and resolve implementation challenges. Top performers can partially scale localised barriers within their institutions towards significant productive gains but need to be motivated to push and innovate around these barriers in the first place. Motivation is also a key factor for improved capabilities – particularly in relation to PFM functions, which typically require evolving specialised expertise that is not always readily available or planned for by both regulatory and service providing institutions.

Reported levels of motivation across budget, planning and M&E units is perceived to be relatively low, especially compared to colleagues in the procurement unit, as a significant minority ranging from 32.5 to 41.5% believe that their colleagues are unmotivated or highly unmotivated.

This data was generated by asking respondents to assess the level of motivation of officials in their departments to compel more honest and forthcoming responses. Of all respondents who said that their colleagues were not motivated, three out of four cited low pay as the top reason for the perceived lack of motivation.

When asked more directly about their personal job satisfaction, only 12.8% reported being highly satisfied in their roles. The highest proportion of these were staff assigned to finance and accounting roles, and the lowest levels (8.8%) in M&E and planning functions.

Unstructured forms of performance-based rewards, such as verbal recognition, are a common means by which staff are recognised. A total of 64.9% report low or neutral motivation levels, despite acknowledging the high professional growth opportunity presented in their current unit/MDA. Daily completed projects (38.9%) and tasks (36.55%) featured strongly as indicators on how they and their colleagues are assessed. Typically, more than half of the respondents in each division/function sampled consider opportunities and potential for growth to be high in their organisation. However, this does not at present seem to be translating into either job satisfaction or staff motivation. Despite these issues, job security may be a factor influencing staff retention.

Figure 8: Personnel motivation and related indicators by frequency

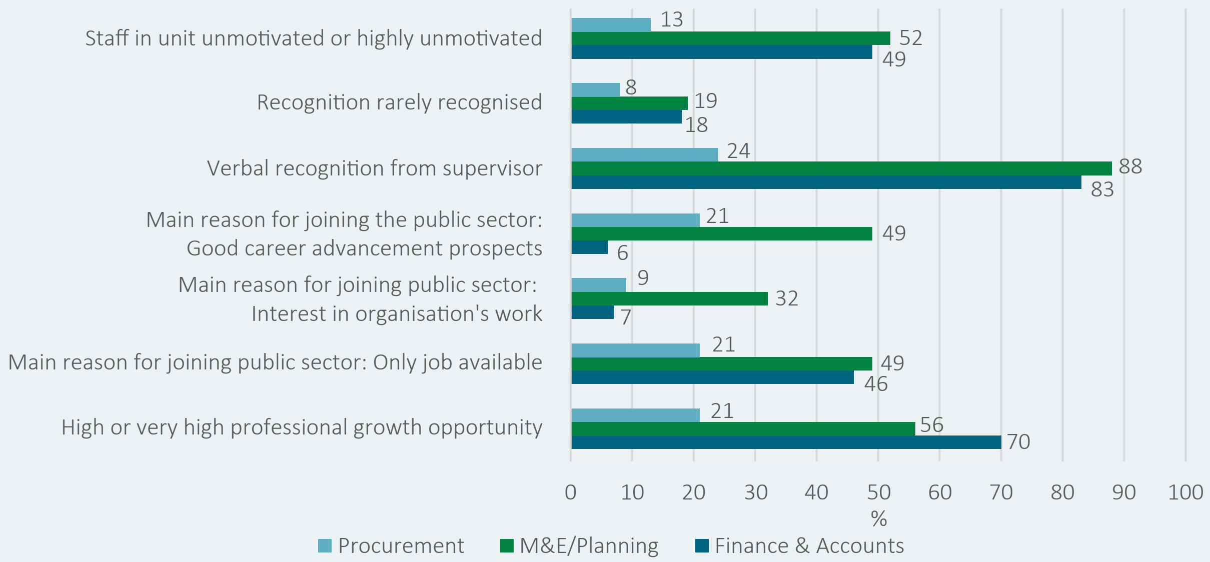
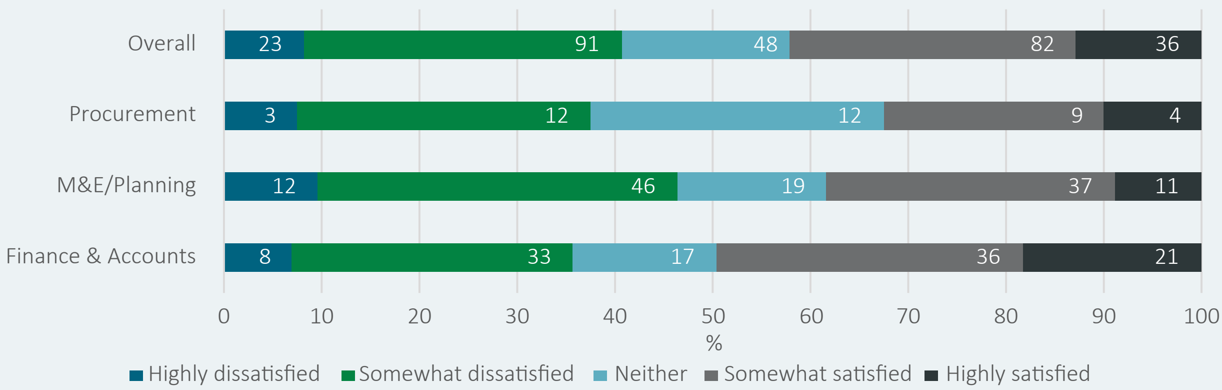


Figure 9: Distribution of job satisfaction levels across divisions



5.2 Recruitment, deployment and retention

Quality recruitment, deployment and retention practices are foundational to delivering targeted capability development programmes and crucial to running effective institutions. The evidence suggests that structured barriers to entry for formal employment appear to be minimal, with the majority indicating interviews or test-based performance and years of experience as the two topmost factors influencing recruitment success. This contrasts to the strong public perception of rent-based appointments and over-reliance on political and personal networks in civil service management more generally. While the scope of this research did not extend to uncovering the extent and nature of politicisation within the service, it is worth pointing out the importance of formal meritocratic practices on job satisfaction and motivation in the workplace.

Low salary and poor working conditions in the civil service are found to be the two strongest push factors of potential turnover of staff across the units surveyed institutions. Impulses to stay are fairly low, with nearly two in five unmotivated on the job – compared to a minority of 8% being highly motivated. However, Nigeria's restricted job market and perennial problems of high unemployment are likely responsible for the majority opting to stay within the public service (28%) or to start their own businesses (32%) on leaving their current posts. The lack of viable alternatives – contrasted against the relatively secure civil-service career prospects and access to short-term consultancy opportunities – keeps retention relatively high but is unlikely to ensure that the public sector is competitive enough to attract talent. Further buttressing this point, only 18 respondents referred to job insecurity as their main reason for leaving their current organisation.

Figure 10: Motivation for joining the civil service (frequency of answers)

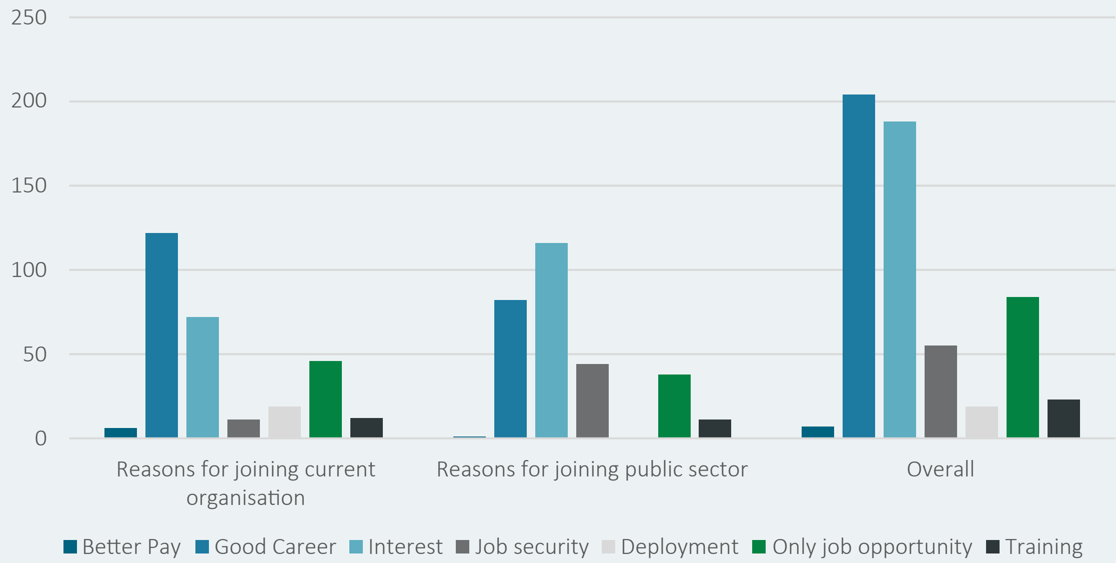
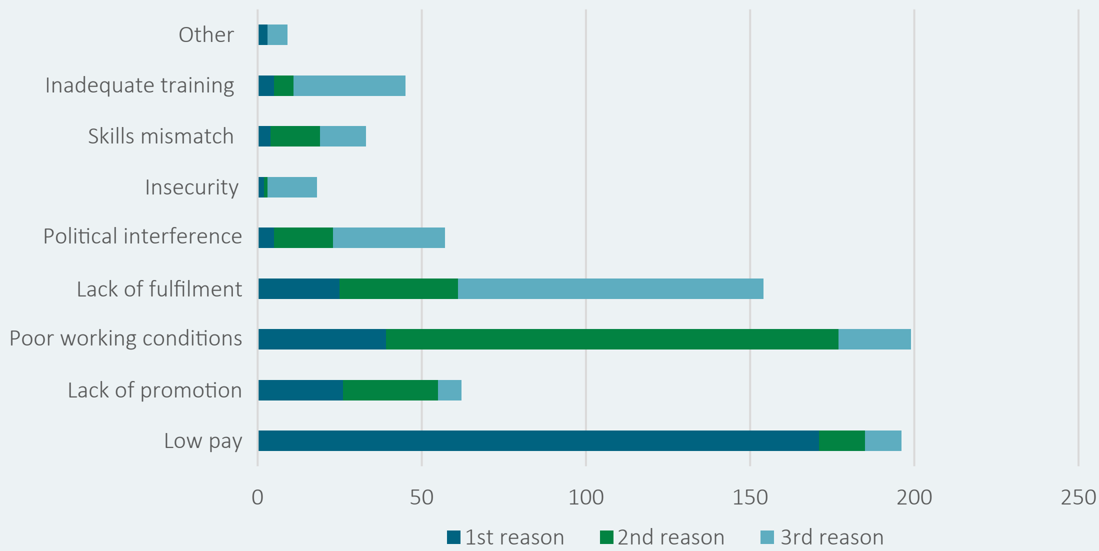


Figure 11: Potential reasons for organisational turnover (frequency of answers)



5.3 Performance appraisals and rewards

Performance-based promotion is deeply embedded in civil service culture. Formal assessments feature strongly in the perceptions of the top two factors affecting recruitment success and in actual hiring and deployment experience (87% had an interview and/or exam). However, less than 2% consider high pass marks as the most important contributor to securing getting the job, with high work motivation (24%) and in-depth knowledge and skills (45%) rated higher. In contrast, only about 1 in 20 persons consider interpersonal skills as the winning quality in advancing in their civil service careers. However, this finding may simply reflect the self-consciousness of respondents, who do not want to be perceived to be deploying informal tactics to get ahead rather than proceeding based on their own merit.

An indirect approach to gauge the extent to which informal interpersonal factors, such as internal lobbying and political connections, are an important means to climb the career ladder would be to examine what the typical response is to exceptional performance. Of the 116 respondents who reported that exceptional performance has the greatest bearing on decisions related to staff promotion, the vast majority (84%) noted verbal recognition from their superiors as the typical way in which they were rewarded. Only 20 (17%) referred to structured benefits, such as fast-tracked promotion, pay rises or written recognition as an outcome. Furthermore, about half of this group deemed their colleagues to be unmotivated (53%) or expressed personal dissatisfaction in their current jobs (50%).

In keeping with this narrative, sampled officials indicate that day-to-day execution in itself – rather than PFM outcomes and effectiveness measures – is weighed more highly by supervisors. One explanation for this could be that systemic inefficiencies in budget releases, complex procurement processes and coordination gaps in project monitoring generate significant challenges for personnel. This makes it harder for individuals within the system to see how their efforts are contributing to tangible wins at the organisational or even at the national or macro-level. The implications of this – performance divorced from outcomes – could be less individual and collective interest in the PFM reform agenda itself. This topic will be delved into further in section 6 of this report.

Figure 12: Personnel retention and related indicators by percentage

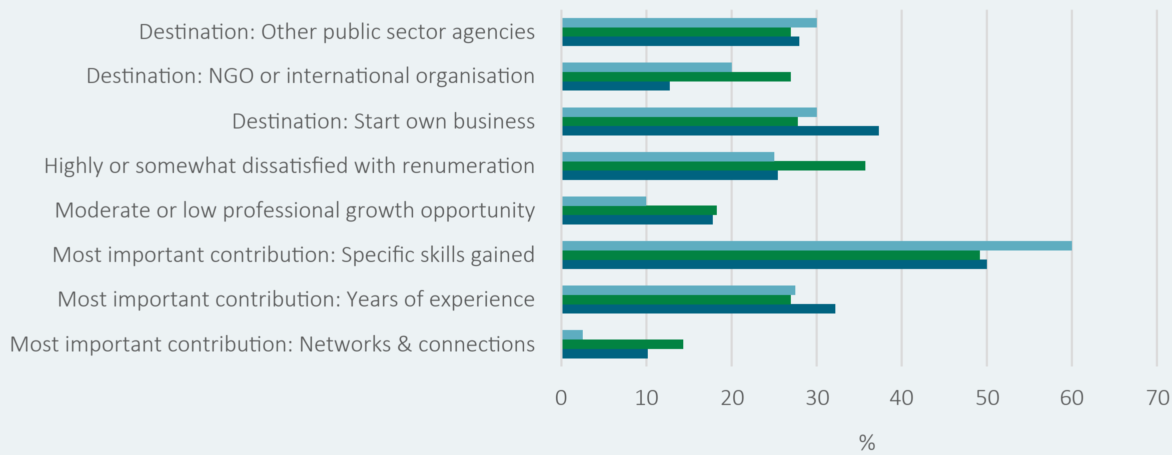


Figure 13: Preference to stay in current position by department

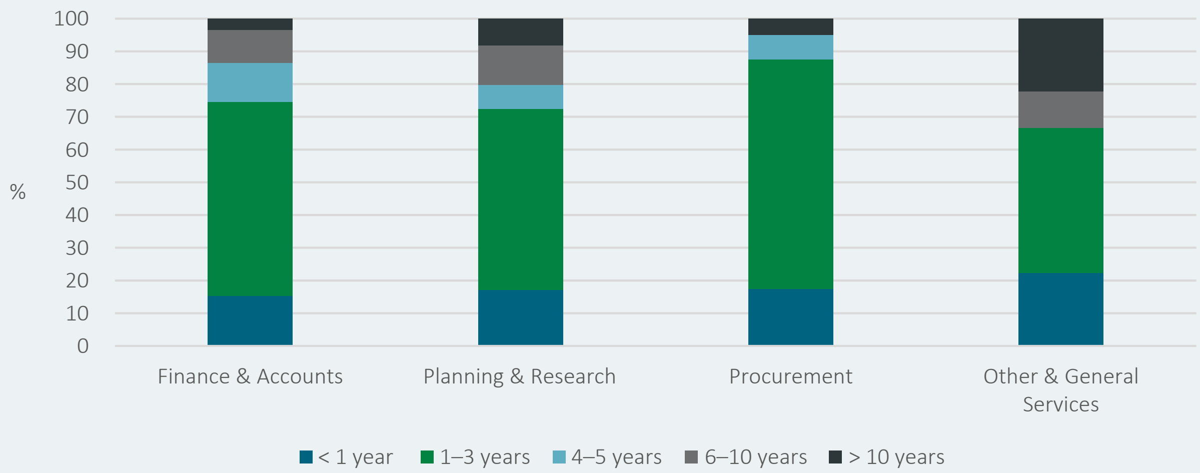
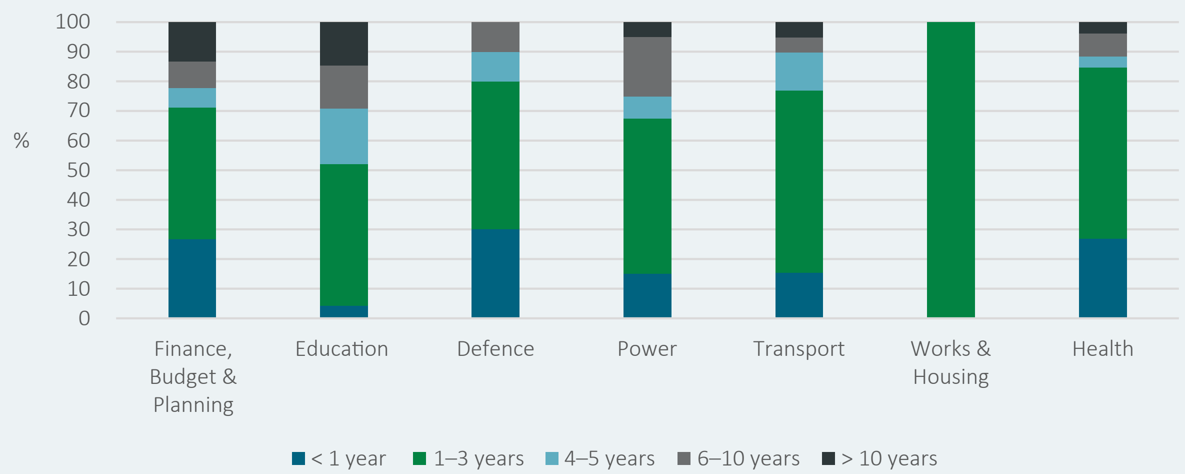


Figure 14: Preference to stay in current position by organisation



> *Systemic inefficiencies in budget releases, complex procurement processes and coordination gaps in project monitoring can generate significant challenges for personnel.*

5.4 Skills mismatch

The skills mismatch reported by key informants, particularly in budget M&E technical capabilities, likely stems from the composition of training content within MDAs rather than the lack of planning or poor attendance. Nearly 60% of surveyed officials reported having received formal training within three months of their appointment, whilst a sizeable portion (37%) indicated having received casual or informal training from their supervisors on the job. Overall, a sizeable minority (38%) regarded technical knowhow to be the weakest aspect of capacity in the civil service. Worryingly, one in five believed that efforts to upskill their colleagues were mainly thwarted by an inability to learn new things – suggesting perceived failures both in recruitment and capacity-building strategies.

It is not obvious that simply adding more capacity-building opportunities will suffice without fundamentally redirecting the content, linking training to live projects for practical application, and ensuring access to relevant software and equipment. Training is required to improve the capabilities of the officers, particularly those involved in complex transactions. Overall, sampled officials were evenly split between those finding structured external training as the most effective means to build capabilities and those in favour of internal training programmes (40% each).

Officials from planning and M&E departments were slightly more likely to opt for external trainings (46%, compared to 39% and 30% for finance and procurement officials, respectively). For those who learn by doing, knowledge transfers from experts are an incredibly valuable and often more practical means of boosting competencies. However, 72% regard the extent of knowledge and skills transfer from external consultants to be limited, suggesting there is room for improvement here.

Finally, insights generated from key informant interviews also suggest that aligning training to learning needs boosts confidence to promote reform ideas vertically. Beyond just closing the skills gaps with more specialised training (especially in accounting, ICT, MIS and financial management, and more specifically on IPPIS and GIFMIS deployment), access to information on priority PFM reforms and core budget (technical) processes should be more widely distributed.

Figure 15: Training practices and preferences

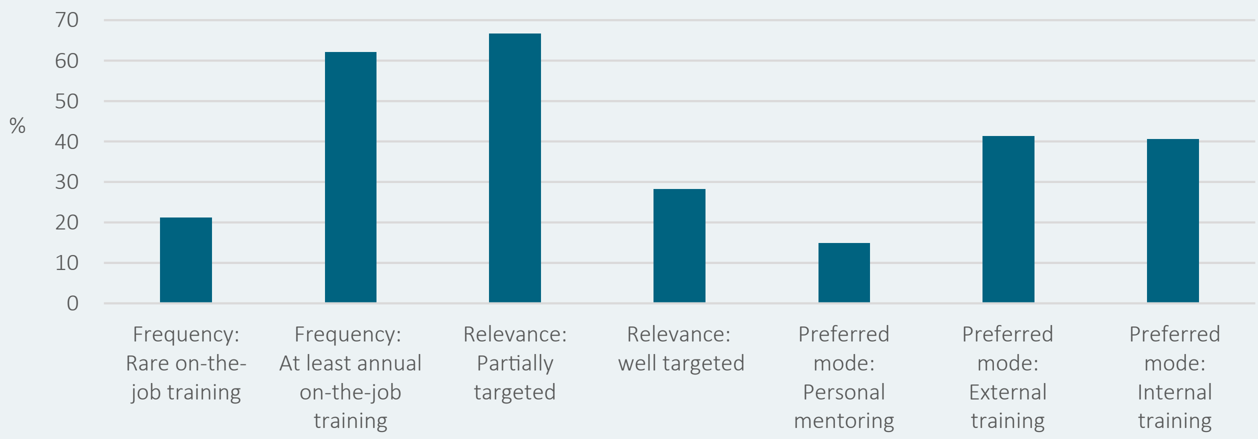


Figure 16: Perceived effectiveness of training by organisation

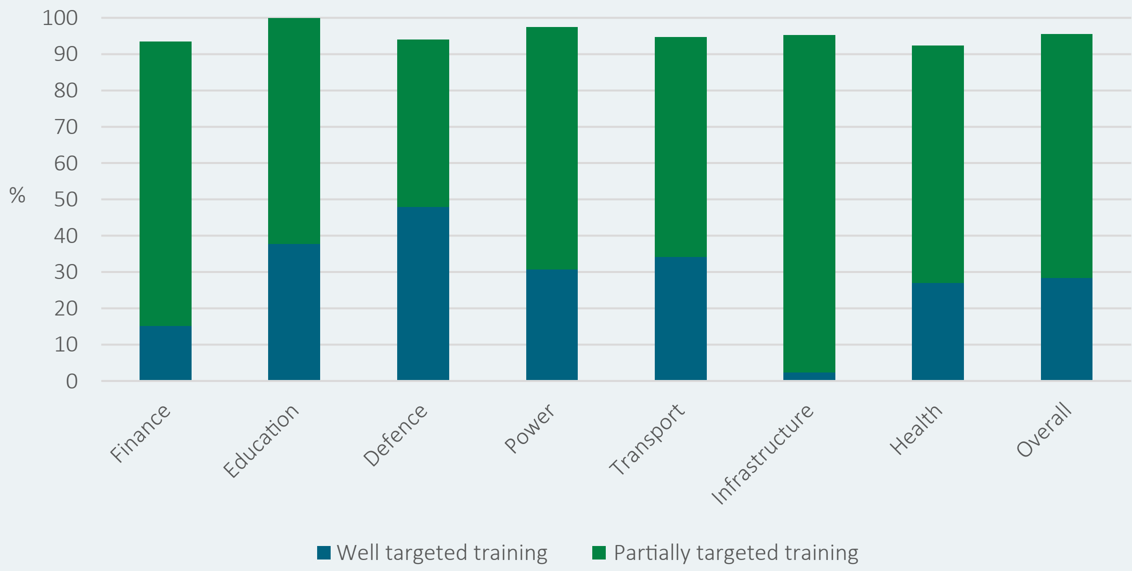
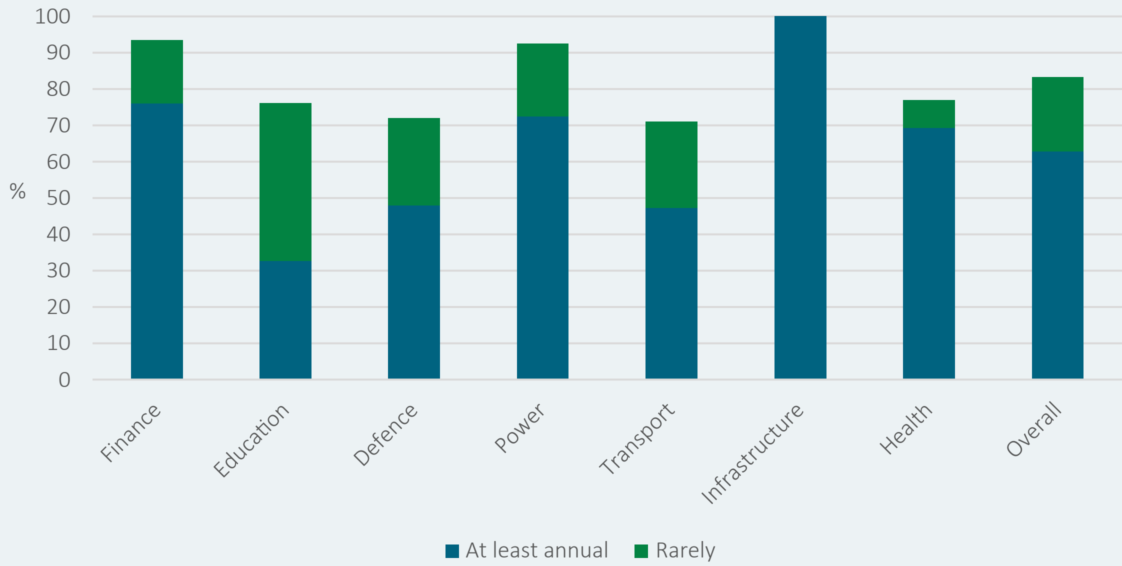


Figure 17: Frequency of relevant on-the-job training by organisation



> ***Insights generated from key informant interviews also suggest that aligning training to learning needs boosts confidence to promote reform ideas vertically.***

6 The genesis of reforms

6.1 Ownership and origin of reforms

Stakeholder ownership and buy-in is a well-cited critical determinant for sustained and successful governance reforms. As such, it is encouraging that at least half of the sampled officials (50%) regard their organisational leaders within MDAs as the primary initiator of reforms. Parent government agencies and organisational leaders were also generally considered the main source of new ideas and practices. While both are crude measures for alignment of individuals within these institutions, it is evidence of a degree of ownership and a perceived localised approach to cultivating reform ideas and objectives.

While external influences are not to be discounted nor entirely discouraged, locally embedded reform ideas may be less likely to be considered as an imposition. This is corroborated by evidence which suggests those who regarded reform ideas to be generated more closely to staff (i.e. by organisation leaders or colleagues). This group were more likely (65%) to cite peer encouragement and recognition as a motivation to try new practices and less likely (13%) to blame uncertainty about the effectiveness of the reform as the reason for failing to try a new idea. This suggests that more bottom-up approaches and involvement of implementing persons in the development of ideas and new projects are associated with greater reform initiation. Ironically, almost two thirds of this cohort still regarded personal factors – namely strong trust in established practice – as a deterrent for taking up a new idea. Generally, many respondents (55%) expressed difficulties in convincing senior colleagues to implement a new approach. This cautions against an overzealous approach to bottom-up ideation without considering wider factors bedevilling behaviour change management in the civil service.

When it comes to variances across MDAs, the Infrastructure and Finance Ministries are perceived to have more localised decision-making on reform initiation. Officials here were least likely to indicate reforms being initiated by parent bodies (19% and 24%, respectively – compared to at least 45% in other organisations). These ministries were also more likely to indicate that reforms were initiated by leaders within the organisations that they serve (71.4% and 65.2% – compared to the 32–43% range in other organisations).

Figure 18: Origin of reform by function (frequency of answers)

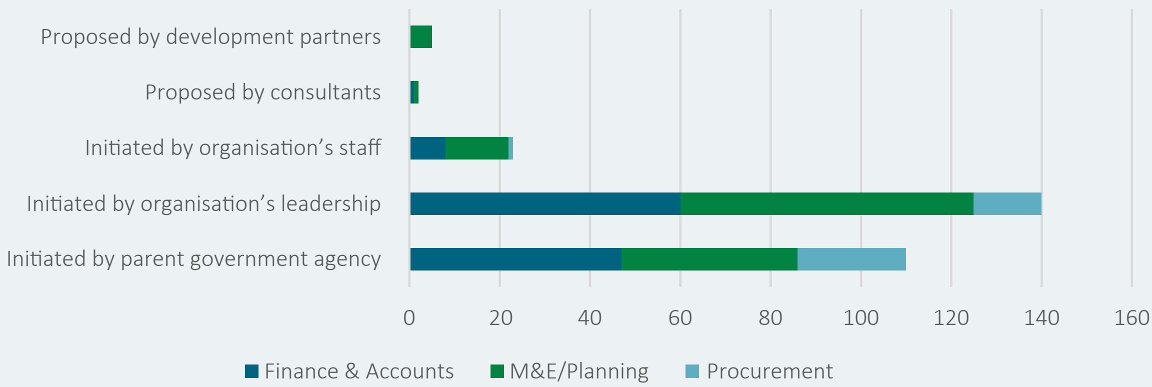
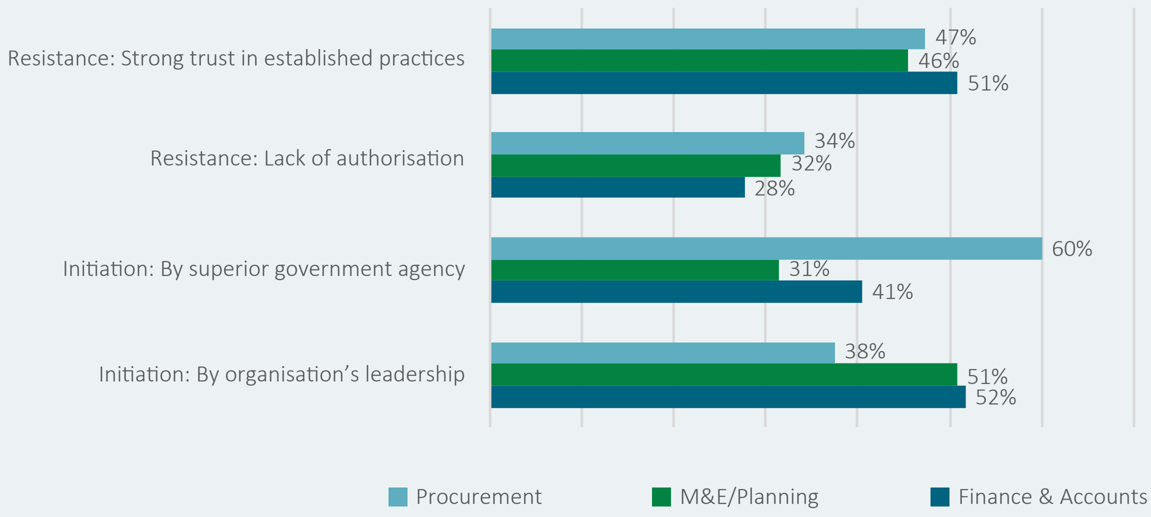


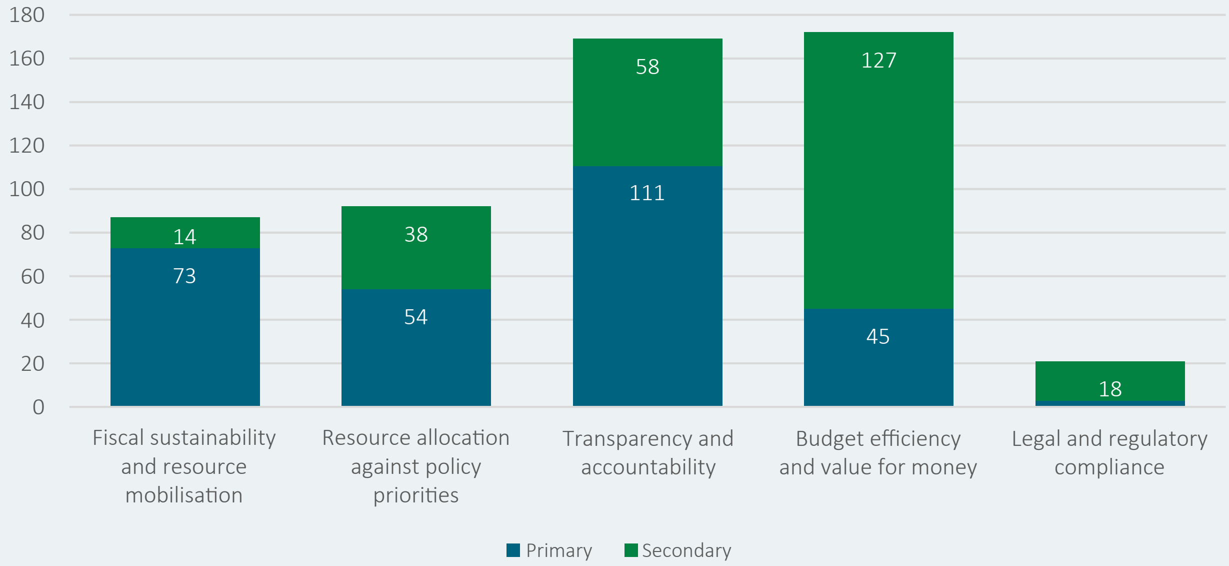
Figure 19: Typical initiation of new ideas and projects

Figure 20: Reform agenda-setting, initiation and resistance by percentage



Beyond agenda-setting, resistance to new practices and systems can also be prevalent where the agents of change do not identify with the related PFM goal or see direct links to their day-to-day contributions. When asked directly about their contributions to PFM outcomes in Nigeria, based on their key responsibilities and projects, the two primary public goods mentioned were, first, transparency and accountability, and second, fiscal sustainability and resource mobilisation, while budget efficiency and value for money was the most frequently cited secondary contribution. It is worth noting that Nigeria's PEFA 2019 ratings[2] in these PFM areas are fairly low, potentially another personnel perception factor linked to the relatively high level of demotivation across board.

Figure 21: Day-to-day contributions to PFM outcomes

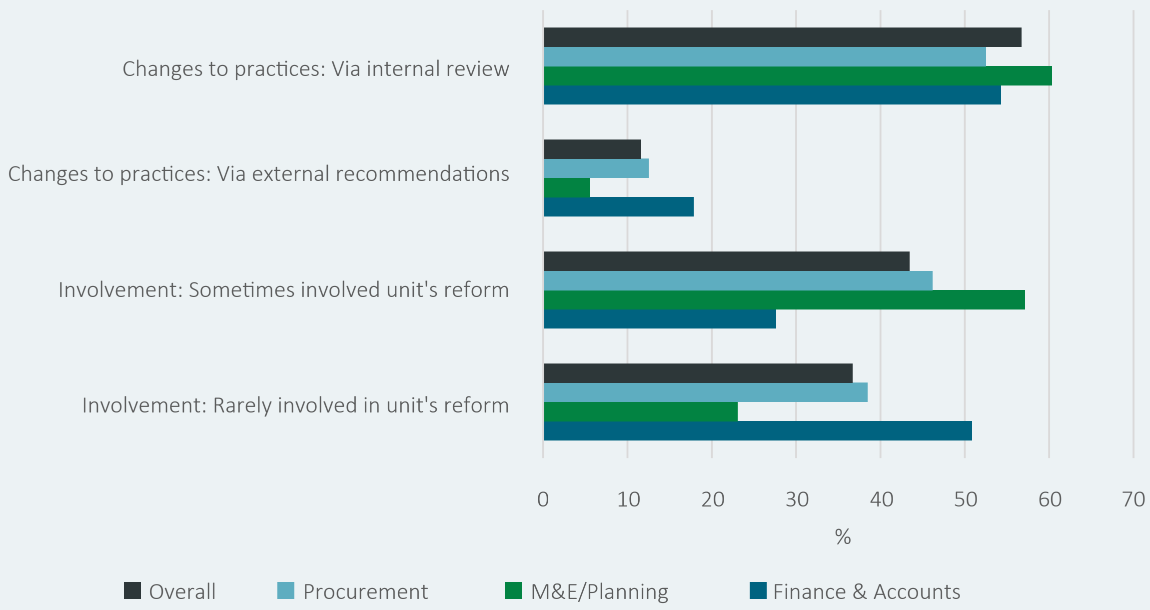


6.2 Role of consultants

In contrast, the role of consultants and the impact of external influences generated more mixed views. Despite the general impression that the largesse of PFM donor funding in Nigeria implies more external conditions and controls, consultants and their organisations were squarely reputed to have very minimal effects on idea generation and reform initiation. However, their involvement in actual reform practices and delivery is significant: 43% indicated that consultants were sometimes involved in reforms within their departments while 37% believed this occurrence was rare (see Figure 22). Unsurprisingly, the most common modality for the engagement of development partners was both direct funding of programmes and projects, and through technical assistance.

2 Public access to fiscal information and both external and legislative scrutiny of financial reports were scored D or D+, while revenue administration (C) and internal controls on non-salary expenditure (D+) were also rated low.

Figure 22: Role of consultants in the reform process



6.3 Guiding and implementing reforms

Sustaining reform interest and momentum is critical to delivering intended outcomes and driving subsequent institutionalisation. When asked about the most common process employed for system and practice-based changes, 60% referred to the use of structured internal reviews. A sizeable minority believed a more resistant, business-as-usual culture was in place, with 27% answering ‘rarely reformed’. This impression is evenly featured across budget, M&E, planning and finance functions suggesting a cross-cutting experience.

Respondents were also asked about collaborations in the course of reform given the cross-sectoral and cross-departmental dependencies inherent to several PFM goals in Nigeria. About 70% conduct a modest or significant proportion of their work in cross-department teams. Given the coordination challenges noted in the previous sections, improving information sharing, timeliness and earlier notification of schedules/circulars could be a low-hanging win that could have a ripple effect on unlocking PFM effectiveness.

6.4 Conclusion

Ultimately, this section seeks to understand the drivers of reforms and why they succeed – or fall off the tracks after an initial period. There are a variety of drivers for improved performance recognised by the survey participants. In order of preference, these are insightful leadership (42%), the successful application of best practices (35%) and mutual learning (20%). The presence of experimentation in driving sought-for changes is negligible (3%). This reinforces the notion presented earlier of the structural and interpersonal resistance to change, but also indicates that if there is strong leadership and evidence that the process works, more players and institutions are likely to come on board.

Sampled officials were also allowed to pick up to two reasons for why PFM institutions and implementing MDAs have failed to learn from reform experiences of the past. Figure 23 below shows the prevalence of options selected. The most frequently cited factors for learning failures were the lack of proper documentation and the lack of honest reflection.

As expected, reform failures also have a negative consequence on those who were directly involved in implementing them (see Figure 24). The knock-on effects were believed to be inefficiency due to reversal of reforms (34%) and demotivation for future reforms (22%). Interestingly, about a third of sampled officials believed that reform failure had no consequence (‘nothing’) on their units. This may point to either a resilience in the face of failure or to a more dangerous growing passivity amongst civil servants due to successive disappointments.

Figure 23: Top two reasons for failure to learn from the past

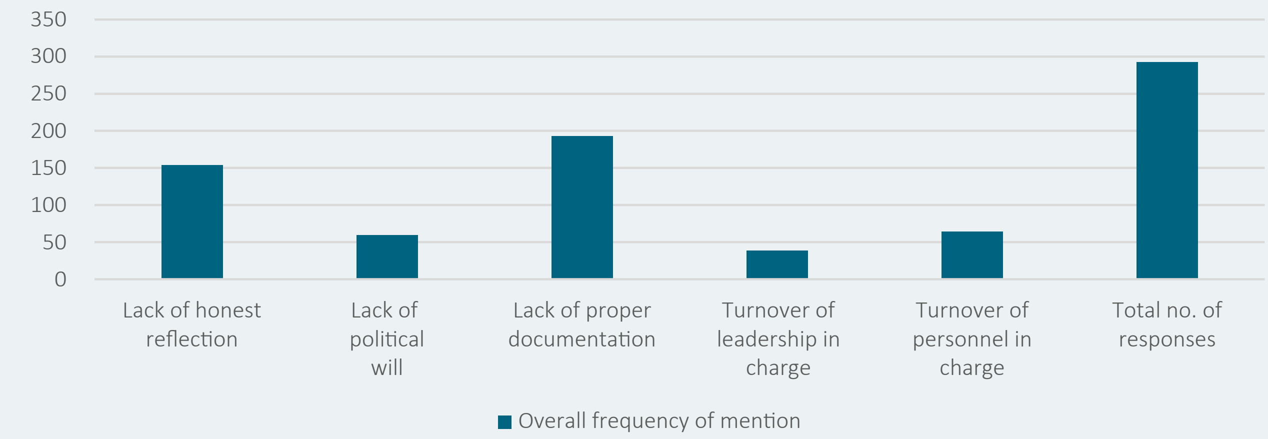
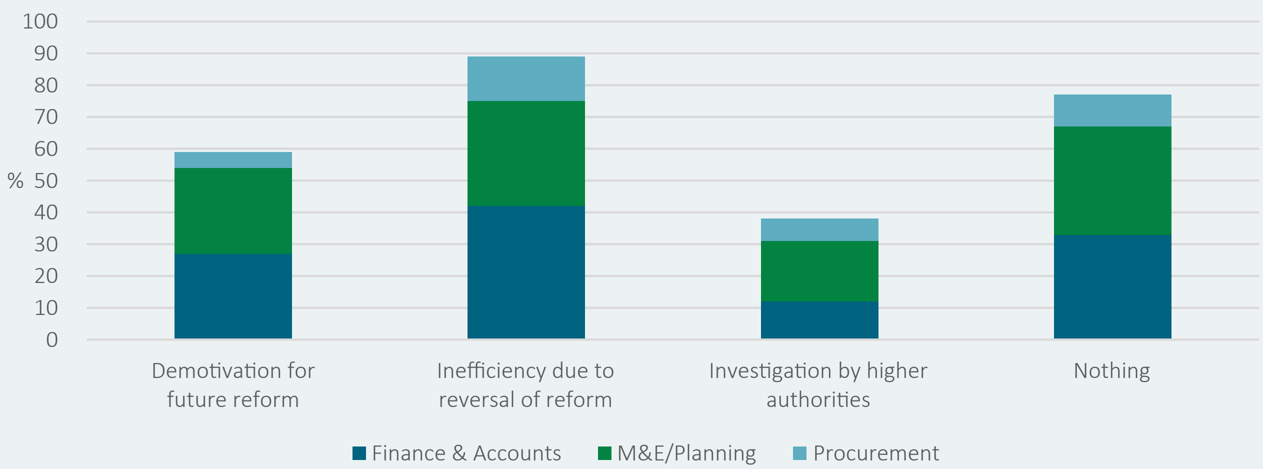


Figure 24: Common consequences of failed reforms



7 Discussion of key findings

This section synthesises the key findings presented across the report and presents some insights on the analytical, coordinative and regulatory dimensions of budget implementation, particularly with reference to M&E. It also touches on the history and institutional capabilities for reform within the Nigerian administration.

7.1 Analytical capabilities

Underpinning some of the budget implementation and M&E challenges are the analytical capability constraints, namely the ability of central finance agencies (CFAs) and the implementing MDAs to collect and analyse information to make informed decisions. These challenges stem from inadequate staffing to low technical capacity and weak staff retention polices.

The publication of budget implementation reports is a key means for monitoring and evaluating budget implementation. The Budget Office (BOF) has made reasonable strides in ensuring the consistent publication of expenditure reports over the last decade. However, most of these reports are not comprehensive enough, do not have sufficient quality and are published late. This is due to several reasons. First, lack of adequate personnel to conduct the monitoring exercise, including inadequate capacity of the officers involved in the monitoring exercise; as well as lack of requisite manpower to conduct physical inspection of capital projects across the entire nation on a quarterly basis. Second, lack of organisational capacity on the part of some MDAs. This is evidenced by the inability to make their reports available to the BOF and Fiscal Responsibility Commission (FRC) on time; inability of their officers to conclude the monitoring exercise within the time allocated; provision of information to the BOF in bits and pieces, with the attendant reduction in the efficiency of the monitoring mission; and use of rudimentary tools to capture the key elements in project monitoring.

These analytical gaps also have an impact on budget credibility and represent one of the key risks to effective implementation of the budget in Nigeria. First, poor forecasting of the macroeconomic indicators – such as the crude oil price, volume of crude oil production and export, as well as exchange rate and inflation – has resulted in the volatility of revenue streams. When weaknesses in the control of the total budget and management of fiscal risks are added, the entire planning process becomes hampered by the lack of credible information on available capital and oil resources, thus eroding the credibility of the budget. Second, in some of the MDAs, M&E missions cover the procurement process in terms of compliance, with the BPP playing a key role in the facilitation process for procurement-related issues. However, the complex nature of some procurement creates delays in the take-off and execution of projects, with the relevant officers struggling as a result of inadequate technical capacity and knowledge. The challenge of the rapid turn-over of experienced and highly skilled personnel within and outside the civil service is common among some of the big MDAs, with frequent reshuffling of technical staff in the middle of projects, leading to severe disruptions and loss of institutional knowledge and memory.

Building these analytical capabilities also requires further mainstreaming and building personnel capacities to use recently introduced tools and standards among the officers in the budget, M&E as well as finance and accounts divisions. Robust training is required to upscale the capabilities of the personnel in most MDAs. Addressing these shortfalls is imperative for effective management of PFM processes, particularly for units requiring specialised technical expertise and proficiencies in upgraded software, for example the GIFMIS and IPPIS. However, simply adding more capacity-building opportunities may not suffice without fundamentally redirecting the content, linking training to live projects for practical application, and ensuring access to relevant software and equipment. Aligning training to learning needs boosts confidence to promote reform ideas vertically. Beyond just closing the skills gaps with more specialised training, access to information on priority PFM reforms and core budget (technical) processes should be more widely distributed.

7.2 Coordinative capabilities

Lack of inter-agency coordination and the irregular adoption of some reform initiatives often prevent the full benefits of laudable reforms from being achieved, particularly in budget implementation and M&E. The consequence is the lack of synergy and coordination among MDAs in terms of ensuring proper management and execution of cross-cutting reform initiatives, policies, programmes and projects.

One of the areas where poor coordinative capabilities can be seen is in the resource allocation process. Poor coordination between the MDAs responsible for the planning of the budget (Ministry of Budget and Planning and its agencies) and those responsible for its execution (Ministry of Finance and its agencies) have resulted in the failure to appropriately cost sector strategies and medium-term investment plans and establish policy linkages between the budget year and subsequent years' allocations. It is also responsible for weaknesses in revenue administration and the enforcing of internal controls. The government tried to solve this problem by merging the two ministries in 2019.

Weak coordinative capabilities can also be evidenced by certain inefficiencies in the use of resources for service delivery. This is caused by low levels of predictability in the release of funds for capital projects and key government programmes; weak linkages between in-year budget adjustments and procurement plans; internal control weaknesses within personnel and procurement management; weaknesses in the accountability mechanisms (including frequency of in-year budget execution reports and publication of annual financial statements); and the lack of systematic programme evaluation and data on resources available at service delivery units.

The quality of M&E is also severely impacted by weak coordinative capabilities across MDAs and the BOF. Circulars from the BOF to get data from MDAs are often done at short notice whilst weak cooperation from MDAs, namely with officials withholding information, reduces the efficiency of monitoring missions. The quality of data from some reporting MDAs and the fragmentation of information management across the education sector for example, make it difficult to obtain and aggregate information. Added to this, the overlapping of oversight and monitoring functions creates strains on MDAs, leading to fatigue and lack of cooperation with monitoring agencies.

In a bid to try to enhance coordination, the FGN established the Central Delivery Coordination Unit (CDCU) in 2020 with the responsibility for tracking and reporting performance against the ministerial mandates and outcome-level results, as well as building capability and strengthening coordination for delivery of the key priorities of the government. After the establishment of the CDCU, a performance management architecture was developed to fundamentally develop a structured approach to the performance measurement. In addition, the CDCU has finalised and validated the results framework and performance data for tracking the priority areas of the FGN. One of the key success factors in the establishment of the CDCU is the strong political support as well as the location of the Unit within the Presidency in the Office of the Secretary of the Government of the Federation (OSGF).

Other noteworthy gains have been made in the introduction of central financial reporting and management systems. The sustained adoption of the TSA, IPPIS and GIFMIS demonstrates that resistance to change can be overcome in the presence of strong and sustained government commitment. As more MDAs move onto the platform, the GIFMIS is promoting improvements in effectiveness of financial controls. On the other hand, the IPPIS has been found, to some extent, to be working in providing internal controls on personnel management.

7.3 Regulatory/oversight capabilities

The Office of the Auditor General of the Federation (OAuGF), the National Assembly (NASS) and the Fiscal Responsibility Commission (FRC) are the key institutions with oversight responsibility over budget implementation and monitoring/evaluation. While the OAuGF is a constitutional body, no separate law on the external audit function has been adopted since the 1999 Constitution. Efforts were made to adopt one between 2005 and 2008, but these stalled at the NASS. A new Bill is currently being considered by the NASS.

Also, while current legal provisions do not provide a strong role for the external audit function and parliamentary follow-up, several legal provisions accord sweeping 'investigative' powers to the NASS on the one hand, and to the FRC on the other. With regards to the former, the Constitution confers power on the legislature to undertake or commission investigations into any suspected corruption, inefficiency or waste in the public administration and the use of appropriated funds. The FRC was similarly given sweeping powers of investigation into the misuse of public funds by the Fiscal Responsibility Act of 2007 (FRA). However, this commission has never been fully constituted and has not de facto taken on such a mandate.

While the OAuGF submits completed audited reports to the NASS, there is no requirement for these reports to be accepted or rejected by it. The NASS may summon the OAuGF or any government agency to provide clarifications on queries it may have. In relation to the release of audit reports for public scrutiny, the OAuGF has always maintained that it cannot release the reports to the public without the prior consent of the NASS. The latter has also not given the go-ahead for its public release, nor has it released it on its own.

The OAuGF has been seeking to strengthen and modernise the role of the office. First, this includes the passing and signing into law of an Audit Act, which will guarantee the administrative and financial autonomy of the OAuGF, thus enhancing its efficiency and effectiveness. Second, it includes the right to make audit reports available to the Nigerian public through the OAuGF rather than only through the NASS. These will ensure greater independence of the OAuGF in terms of appointments and funding allocations, as well as developing audit capabilities beyond compliance and financial audits, in particular by developing capabilities for performance audits.

Other oversight capability challenges facing the OAuGF include poor accounting environments; contending with the scourge of fraudulent activities/corruption in the public sector; inadequate use of appropriate and modern technology by the OAuGF; as well as lack of management capacity and proper appreciation of the key role of management responsibilities in the OAuGF.

7.4 Reforming capabilities

There are a variety of drivers for improved performance including insightful leadership, successful application of best practices and mutual learning. This reinforces not only the notion of the structural and interpersonal resistance to change, but also indicates that if there is strong leadership and evidence that the process works, more players and institutions are likely to come on board. The two main reasons why PFM institutions and implementing MDAs have failed to learn from reform experiences of the past are lack of proper documentation and honest reflection on past failures. As expected, reform failures also have a negative consequence on those who were directly involved in implementing them. The knock-on effects were believed to be inefficiency due to reversal of reforms and demotivation for future reforms. Interestingly, a significant number of officials believed that reform failure had no consequence on their units. This may point to either a resilience in the face of failure or to a more dangerous growing passivity amongst civil servants due to successive disappointments.

7.5 Conclusion

PFM reform efforts in Nigeria have a chequered history, with weak consistency and discipline in the implementation of some key reforms. However, some modest progress has been made in the areas of fiscal responsibility, improved taxation, public procurement and overall improvements in the operational framework for PFM through the roll-out of the IPPIS, IPSAS, GIFMIS, TSA and e-payment. Challenges still remain in the late passage of the annual budget, fragmented CFAs, low credibility of the budget at sectoral levels, ineffective procurement practices, weak budget monitoring by CSOs and low capabilities of the planning and budget personnel across MDAs. Others are imperfect disclosure of public finances, poor asset and liability management, anomalies in budget execution, low standard of financial reporting and lack of auditor independence.

Addressing the above challenges involves engaging both the executive and the legislature. On the executive side, this means (i) more effort to improve budget execution; (ii) a better procurement and internal control process; (iii) linking policy, planning and the budget in a strategic manner; (iv) the full independence of the OAuGF in carrying out its statutory mandates; and (v) ensuring that capital expenditure programmes are multi-year by design and execution. On the legislative side, there is need for (i) better scrutiny of audit reports; (ii) regular and prompt sharing of audit recommendations with the executive; and (iii) ensuring a more proactive and effective approach to oversight of the MDAs.

What comes out clearly is the imperative for a coordinating mechanism that will ensure proper sequencing and compatibility of the various reforms for stronger and more evident results. In addition, consistency in the implementation of some key reforms is important, as well as the need to have a nuanced approach to PFM reforms.

"Consistency in the implementation of some key reforms is important, as well as the need to have a nuanced approach to PFM reforms."

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Appendix 1: Nigeria composition of output

Year	Agriculture, value added (% of GDP)	Agriculture, value added (annual % growth)	Industry, value added (% of GDP)	Industry, value added (annual % growth)	Manufacturing, value added (% of GDP)	Manufacturing, value added (annual % growth)	Services, etc., value added (% of GDP)	Services, etc., value added (annual % growth)
1960	63.85	..	3.87	..	3.81	..	28.47	..
1961	61.83	-3.01	8.29	29.56	4.10	18.85	29.88	-1.89
1962	61.92	3.60	8.76	18.31	4.41	12.43	29.32	0.85
1963	61.24	8.25	9.03	14.54	4.66	29.09	29.73	8.59
1964	57.88	-0.38	9.67	18.75	4.69	-4.21	32.45	5.77
1965	54.90	0.62	12.47	49.6	5.43	-28.26	32.64	-4.66
1966	54.94	-6.96	12.32	9.11	5.38	70.62	32.74	-4.56
1967	55.41	-15.5	11.78	-19.99	5.50	-14.25	32.81	-12.05
1968	51.65	-1.46	10.79	-19.9	5.65	5.46	37.56	9.23
1969	49.49	15.03	15.56	79.34	6.35	31.46	34.95	7.95
1970	41.29	17.52	13.76	54.42	3.67	27.90	44.95	20.83
1971	40.04	5.21	17.34	32.86	3.38	-3.09	42.62	8.51
1972	38.27	-7.28	19.94	19.31	3.90	23.89	41.79	3.26
1973	35.14	8.92	25.09	-1.21	4.04	11.31	39.78	13.49
1974	31.83	10.37	35.24	17.21	3.33	-3.29	32.93	8.20
1975	31.73	-10.39	28.50	-13.66	5.03	23.57	39.77	20.64
1976	29.12	-1.57	32.27	23.53	5.06	23.36	38.60	5.44
1977	29.58	6.83	31.42	4.98	4.57	-49.64	39.01	7.02
1978	30.49	-8.64	33.33	-3.70	6.53	13.73	36.18	-5.68
1979	28.66	-3.03	37.82	18.90	8.79	46.95	33.53	2.39
1980	20.63	4.94	45.57	-2.18	8.38	28.06	33.80	5.08
1981	26.91	-16.46	37.58	-10.14	9.18	15.13	35.51	-5.72
1982	30.84	2.54	33.33	-4.16	9.55	12.88	35.82	2.47
1983	33.22	-0.29	29.74	-14.70	9.90	-29.41	37.05	2.76
1984	37.77	-4.84	27.78	-0.50	7.82	-11.23	34.45	-11.1
1985	37.31	16.79	29.18	5.32	8.74	19.85	33.51	6.17
1986	38.66	9.22	26	-5.71	8.73	-3.90	35.34	7.33
1987	36.68	-3.19	33.31	-2.92	6.76	5.09	30.01	6.15
1988	40.6	9.81	30.83	9.94	7.52	12.85	28.58	9.99

Year	Agriculture, value added (% of GDP)	Agriculture, value added (annual % growth)	Industry, value added (% of GDP)	Industry, value added (annual % growth)	Manufacturing, value added (% of GDP)	Manufacturing, value added (annual % growth)	Services, etc., value added (% of GDP)	Services, etc., value added (annual % growth)
1989	31.34	4.87	43.19	9.02	5.29	1.65	25.47	8.64
1990	32.71	4.23	41.37	6.31	5.54	7.62	25.92	14.98
1991	30.43	3.53	45.57	8.58	5.90	9.31	24.00	2.05
1992	23.8	2.05	58.26	0.34	4.32	-4.83	17.94	6.87
1993	24.17	1.36	58.65	-0.75	4.00	1.16	17.18	5.44
1994	28.57	2.41	50.24	-2.76	4.94	1.64	21.19	0.45
1995	31.61	3.66	46.68	1.27	5.36	4.59	21.71	2.34
1996	30.71	4.08	49.17	6.01	4.84	2.38	20.12	3.01
1997	33.64	4.22	44.79	1.46	5.08	0.93	21.58	4.90
1998	38.98	4.05	33.44	-1.68	5.24	-5.43	27.58	1.77
1999	36.56	5.17	35.25	-2.55	4.89	2.14	28.20	0.69
2000	26.29	2.90	52.72	6.10	3.70	3.54	20.99	8.14
2001	30.60	3.80	47.78	2.63	3.89	5.24	21.62	3.34
2002	31.18	4.24	43.80	-8.01	4.59	13.65	25.02	6.38
2003	26.41	6.47	49.37	22.36	3.99	6.17	24.22	7.05
2004	16.61	6.50	56.94	4.64	10.86	9.60	26.45	6.90
2005	23.35	8.20	56.78	4.98	10.06	8.20	19.87	7.13
2006	24.73	7.41	25.75	-1.96	8.85	0.81	48.49	12.37
2007	24.66	7.20	24.34	-1.93	8.40	0.09	49.96	12.86
2008	25.28	6.27	24.71	-2.04	8.17	3.00	48.98	13.00
2009	26.75	5.88	21.24	2.51	7.84	3.61	50.98	12.43
2010	23.89	5.83	25.32	5.23	6.55	2.50	50.79	12.88
2011	22.23	2.92	28.28	8.39	7.17	17.82	49.24	4.90
2012	21.86	6.70	27.07	2.43	7.72	13.46	50.19	3.97
2013	20.76	2.94	25.74	2.16	8.93	21.80	52.37	8.38
2014	19.99	4.27	24.64	6.76	9.64	14.72	54.15	6.85
2015	20.63	3.72	20.16	-2.24	9.43	-1.46	58.12	4.78
2016	20.98	4.11	18.17	-8.85	8.68	-4.32	59.79	-0.82
2017	20.85	3.45	22.32	2.15	8.74	-0.21	55.80	-0.91
2018	21.20	2.12	25.73	1.87	9.65	2.09	52.02	1.83
2019	21.91	2.36	27.38	2.31	11.52	0.77	49.73	2.22

Appendix 2: PEFA assessment scores of Nigeria's PFM (2019)

PFM Performance Indicator	Score	
Pillar I. Budget reliability		
PI-1	Aggregate expenditure outturn	**C**
PI-2	Expenditure composition outturn	**D**
PI-3	Revenue outturn	**D**
Pillar II: Transparency of public finances		
PI-4	Budget classification	**C**
PI-5	Budget documentation	**B**
PI-6	Central government operations outside financial reports	**D**
PI-7	Transfers to subnational governments	**B**
PI-8	Performance information for service delivery	**D**
PI-9	Public access to fiscal information	**D**
Pillar III: Management of assets and liabilities		
PI-10	Fiscal risk reporting	**D+**
PI-11	Public investment management	**D**
PI-12	Public asset management	**D+**
PI-13	Debt management	**B+**
Pillar IV: Policy-based fiscal strategy and budgeting		
PI-14	Macroeconomic and fiscal forecasting	**D+**
PI-15	Fiscal strategy	**C**
PI-16	Medium-term perspective in expenditure budgeting	**D**
PI-17	Budget preparation process	**D+**
PI-18	Legislative scrutiny of budgets	**D+**
Pillar V: Predictability and control in budget execution		
PI-19	Revenue administration	**C**
PI-20	Accounting for revenue	**C+**
PI-21	Predictability of in-year resource allocation	**B**
PI-22	Expenditure arrears	**D**
PI-23	Payroll controls	**D**
PI-24	Procurement	**D**
PI-25	Internal controls on non-salary expenditure	**D+**
PI-26	Internal audit	**D+**
Pillar VI: Accounting and reporting		
PI-27	Financial data integrity	**D+**
PI-28	In-year budget reports	**D+**
PI-29	Annual financial reports	**D+**
Pillar VII: External scrutiny and audit		
PI-30	External audit	**D+**
PI-31	Legislative scrutiny of audit reports	**D**

Appendix 3: Classification of indicators used in the personnel capabilities assessment

Personnel capabilities are defined as a combination of motivation, competencies and resources. The original questionnaire (available on request or on the CABRI website) features more questions that can be used to measure personnel capabilities than are discussed in this report. Table A below provides a classification of the indicators discussed in this report with respect to the three dimensions of personnel capabilities.

Table A: Classification of Indicators used in the personnel survey

Dimension	Indicator used in the report
Motivation	• Perception of level of motivation of colleagues • Main reason for joining civil service • Reward and growth opportunities • Staff turnover
Competencies	• Skills mismatch in unit
Resources	• Mentoring • On-the-job training opportunities

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