

# **BUDGET ANALYSIS**

***NDDC and Ministry of Niger Delta Affairs***

***2014 Budget***

**Africa Network for Environment and Economic Justice (ANEEJ)**

## **ACKNOWLEDGEMENT**

## **TABLE OF CONTENTS**

Introduction and background Information
Assumptions
Conceptual Clarification
Scope and limitations of this Analysis
Federal Ministry of Niger Delta Affairs 2014 Budget Breakdown
The 2014 NDDC Budget
The budget architecture
Source of income
Legislative approval of the NDDC's 2014 budget
Budget Breakdown
State by State Allocation
Allocation to Regional Development Projects
Recommendations

## **LIST OF TABLES**

Table 1: Budget Breakdown

Table 2: Aggregates of NDDC's projects budget components

Table 3: Direct provisions for States in NDDC's Budget

Table 4: Analysing provisions for regional level interventions by Sectors in NDDC's budget

## **LIST OF FIGURES**

Fig 1: Component of FMNDA 2014 Budget

Fig 2: Total Recurrent and Capital Budget for FMNDA 2014

Fig 3: Budget Summary

Fig 4: A breakdown of the expenditure approvals for Regional and States projects

Fig 5: Direct provision to States

## **Introduction and background Information**

This report seeks to analyse the 2014 budgets Niger Delta Development Commission (NDDC) and the Ministry of Niger Delta Affairs. The Ministry of Niger Delta Affairs was created in September 2008 by his Excellency, President Umaru Musa Yar'Adua to formulate and coordinate policies for the development and security of the Niger Delta region. Specifically, the Ministry is expected to formulate and execute plans, programmes and other initiatives as well as coordinate the activities of Agencies, Communities, donors and other stakeholders involved in the development of the Niger Delta region.

The objectives of the Ministry are:

- Opening up the key area and making it accessible by ensuring the provision of key social and physical infrastructure such as roads, water, electricity, housing health care, educational facilities;
- Preserving and conserving the environment through remediation, rehabilitation and restoration of degraded and polluted ecosystem;
- Eliminating the scourge of militancy and criminal activities such as kidnapping through consolidation of post amnesty projects and programmes;
- Reduction of high incidence of oil theft and pipeline vandalisation, which is a major drain on the nation's revenue earnings;
- Addressing the issue of oil-related conflicts as it affects access to oil business in the region;
- Reducing the issue of high incidence of oil spillage caused by extraction of oil in the area and the resultant pollution that negatively affected the traditional fishing industry there;
- Reduce the high rate of unemployment, occasioned by non-implementation of the local content policy of government; and
- Drastic reduction in inter and intra ethnic/communal conflicts caused by greed, poverty and neglected by the relevant authorities.

The Niger Delta Development Commission, was set up by an Act of Parliament, in 2000 under the President Olusegun Obasanjo's administration.

Pursuant to the NDDC Act 2000, the Niger Delta Development Commission (NDDC) was established to facilitate the rapid and even development of the Niger Delta Region, with a specific mandate to act as an interventionist Agency. Consequently, its core policy thrust was to build synergy and collaborate with various tiers of service Development Partners such as:-

- The local communities
- National Assembly
- The States and Local Governments Authorities in the Region

- Oil and Gas Companies
- Civil Society Organizations
- Federal Ministries (particularly the Federal Ministry of Niger Delta Affairs)

Several commentators, including, one Benjamin Ogbebulu (in his 2008 article;- The Niger Delta Struggle, Federal Government Amnesty And The Way Forward) have sought an understanding of the relationships between the two MDAs. More importantly, the impacts of their joint budgets on the Niger Delta have become the subject of unending discourse and debates in the Region and beyond with viewpoints abounding.

Benjamin Ogbebulu further stated that “Relation between the Ministry of Niger – Delta affairs and the NDDC should be clarified, and the work of both should be directed to fast-track infrastructure, rehabilitation and other programs to produce visible result by the end of 2009”. Over six years after this concern, what deliverables are available in the region to demonstrate visible results? To what extent are these results reflective of a consistent improvement in planning for sustainable development?

### **Assumptions**

The consultants have assumed the following;-

- That functionaries of the two MDAs are Nigerians with the interest of the nation at heart.
- That both MDAs are driven with the clear understanding that budgets are highly effective planning tools and provide credible windows into organizations policy directions and programming principles.
- That casing the budgets of these two establishments in any given year, would provide the much needed bases for assertions on the consistency of planning for development by Federal Government’s interventionist agencies and programmes in the Region.

### **Conceptual Clarification**

It is important at this point to properly understand the meaning and aim of a budget. A good budget would reveal the organizational philosophy and strategy, upon which the budget is based; a poorly thought out budget or defective budget process would conversely reveal the competence, capacity and commitment levels of the systems that have compiled it.

Essentially, a budget is a statement of monetary plans that is prepared in advance of a forthcoming period, usually one year. It is also viewed as a statement of the

expenditure or income that has been allocated under a set of headings for a set period of time.

Dr. Ukam Umet Edodi, in a presentation to the Directorate Retreat Organized by the Directorate of Agriculture & Fisheries, Niger Delta Development Commission (NDDC), indicated that for a budget to be successful, it must serve the following aims:-

- Planning - aid the planning of an organization in a logical manner that adheres to the long – term
- Coordination - help coordinate the activities of the various parts of the organization and ensure that they are consistent
- Communication - communicate more easily the objectives, opportunities and plans of the organization to the various team managers
- Motivation - provide motivation for managers to try to achieve the organizational and individual goals
- Control - help control activities by measuring progress against the original plan, adjusting where necessary
- Evaluation - provide a framework for evaluating the performance of managers in meeting individual and departmental targets
- Challenge - help challenge managers to think about and plan for the future as well as take financial responsibility

In commencing this analysis, the consultant is mindful of some unhealthy budget practices of some organizations (including MDAs), that often jump straight into writing a budget without any thought or preparation and have nothing to report on later in the budgeting cycle. To mitigate this bias, and enhance our conclusions, we have adopted two simple rational considerations.

- A simple budget document is worthless if it does not comply with the organization's strategy plan – Do the MDAs in question have (known / documented) strategy plans? How consistent are their 2014 budgets with these strategy plans (if they exist)?
- Preparing a budget also involves standardizing procedures – Have these MDAs in question, adopted standardized procedures for budgeting?

### **Scope and limitations of this Analysis**

This analysis essentially focuses on the analysis of the 2014 budgets of Niger Delta Development Commission and the Federal Ministry of Niger Delta Affairs. The analysis does not include previous budgets of the two agencies. The source of information for this exercise has been quite a challenge, while the budget of Federal Ministry of Niger Delta Affairs was available on the website of Budget Office of the

Federation, the Budget of Niger Delta Development Commission was not available on NDDC official website. Securing the NDDC budget for this analysis was extremely difficult and almost marred the exercise but for a last minute effort that eventually paid off..

## **Federal Ministry of Niger Delta Affairs 2014 Budget Breakdown**

**Table 1: Budget Breakdown**

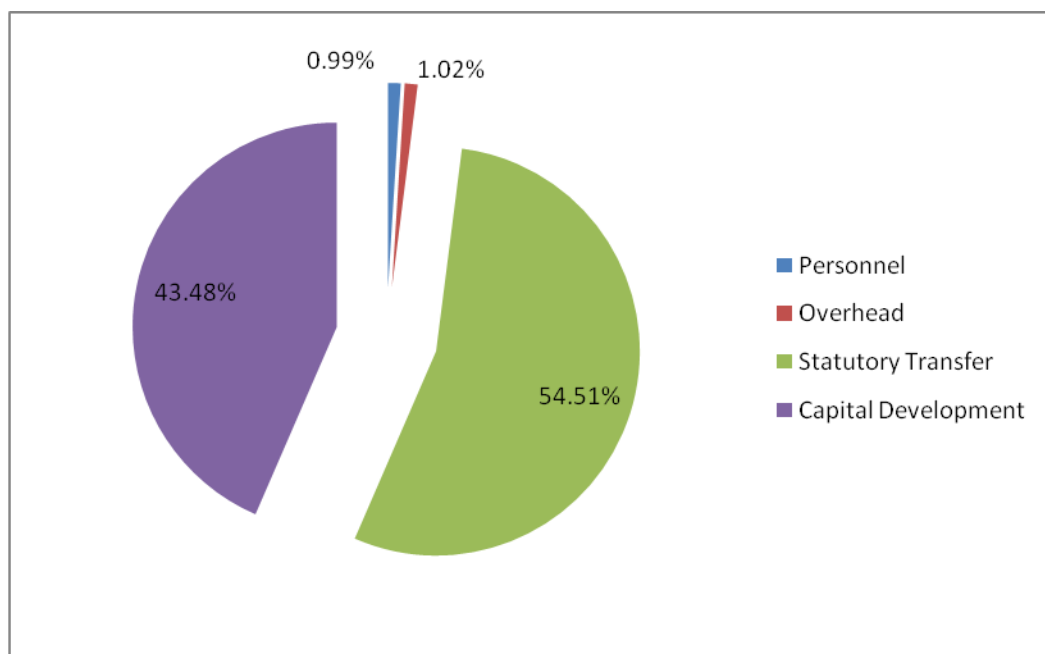
Main Envelop - Personnel	1,130,143,399
Main Envelop - Overhead	1,159,471,538
Statutory Transfer	61,940,000,000
Capital Development Fund Main	49,403,704,194
<b>Total</b>	<b>113,633,319,131</b>

**Source: Budget Office of the Federation, 2014**

The approved budget for the Federal Ministry of Niger Delta Affairs for 2014 was ₦113,633,319,131 Naira, out of this amount, ₦1,130,143,399 representing 0.99% of total budget was allocated to personnel while ₦1,159,471,538 representing 1.02% of total budget was allocated to overhead. The sum of ₦61,940,000,000 representing 54.51% of total budget was allocated to Statutory Transfer while ₦49,403,704,194 representing 43.48% of total budget was allocated to capital/development projects.

The main component of the allocation to personnel which is common with other budgets be it for Federal, States or Local Government includes salaries and wages, allowance and social contribution such as NHIS and contributory pension. Overhead on the other hand had travels, utilities, materials and supplies, maintenance, training, fuel, bank charges and miscellaneous as the major headings.

The interesting thing about the budget is that the statutory has no breakdown and does not give any indication as to how such money is used and which agency such monies were transferred to. This is why Civil Society Organisations and well meaning Nigerians have continued to push for the breakdown of such transfers so that Nigerians can understand where such resources are going to and who to hold accountable as well. In 2013, Centre for Social Justice, Abuja sought to compel the Federal Ministry of Finance to disclose details of Statutory transfers of N150bn for the National Assembly and N85bn for the National Judicial Council, Niger Delta Development Commission, Universal Basic Education, and the Independent National Electoral Commission, which had allocations of N54bn, N68bn, and N40bn respectively as contained in the 2013 Federal budget. The court held that CSJ be allowed access to a breakdown of the statutory transfer to the above agencies, of which till date the judgment has not been complied with.



**Fig 1: Component of FMNDA 2014 Budget**

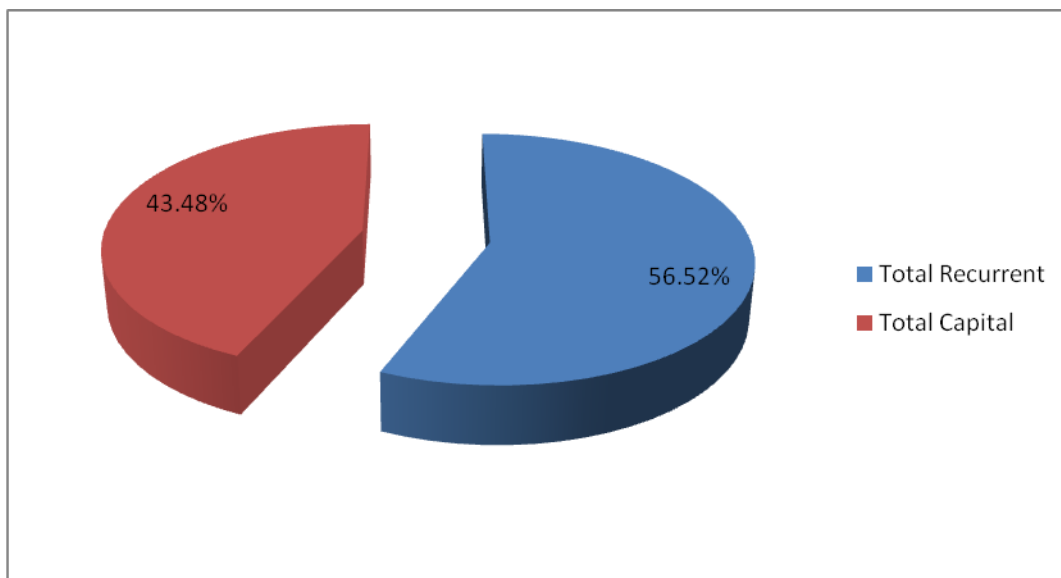
The former Minister of Finance, Dr Ngozi Okonjo-Iweala, is now facing contempt charges for disobeying a judgment on statutory transfers delivered at the Federal High Court sitting in Abuja in respect of a suit filed at the court by the Centre for Social Justice. Justice Abdul Kafarati had on February 25, 2014 in line with the applicant's prayers, granted relief that denying the applicant access to the details of the statutory transfers in the 2013 Appropriation Act by the respondent without explanation constituted an infringement to the applicant's right guaranteed and protected by Section 1 of the Freedom of Information Act 2011.

The court also declared that the continued refusal of the respondents to grant the applicant access to details of statutory transfers in the 2013 appropriation act despite applicant's demand violated section 4 of the FOI Act.

The 43.48% allocation to capital/development projects is grossly insufficient for a Ministry that was set up specifically to develop the region; one would expect high budgetary allocation to capital projects in order to actualise its mandate. For subsequent budgets, it is recommended that priority be given to capital projects by way of higher proportion of the budget channelled to such area.

By implication, the budget can be summarised as 56.52% recurrent and 43.48% capital as shown in the chart bellow;





**Fig 2: Total Recurrent and Capital Budget for FMNDA 2014**

### **The 2014 NDDC Budget**

*The budget architecture:-* NDDC's budget is composed of provisions for overhead, capital, personnel and projects expenditures.

Provisions for projects expenditures are divided into Regional projects (relating to cross-cutting interventions / Directorate activities), and States projects.

#### Source of income

Former president, Goodluck Jonathan, in his communication to the Senate stated that the sources of revenue for NDDC budget 2014 included revenue brought forward, which was N23 million, and federal government contribution excess crude arrears of N50 million. Other areas included oil companies' contributions and others which were N130 million, ecological fund of N57 million, other internally realised income of N100,000, million, and unpaid arrears from 2012 approved budget of N12.5 million, which summed up to N322.6 billion. See media report <http://www.vanguardngr.com/2014/06/jonathan-presents-n322bn-nddc-budget-proposal-senate/>

*Legislative approval of the NDDC's 2014 budget:-* The Senate at its plenary meeting on Tuesday 15<sup>th</sup> July, 2014, approved a budget of N322.6 billion for the Niger Delta Development Commission, NDDC.

### **NDDC 2014 Budget Breakdown**

A breakdown showed that the budget contained money for personnel expenditure, overhead expenditure, capital expenditure, and projects expenditure. The overhead expenditure initially allocated was N10.1 billion while the expenditure allocated by the committee and approved by the Senate was N9.9 billion. The capital expenditure which was N2.2 billion was changed to N1.9 billion while the project expenditure

which was N295.5 billion was changed to NN295.6 billion. The personnel cost of N15 billion remained the same.

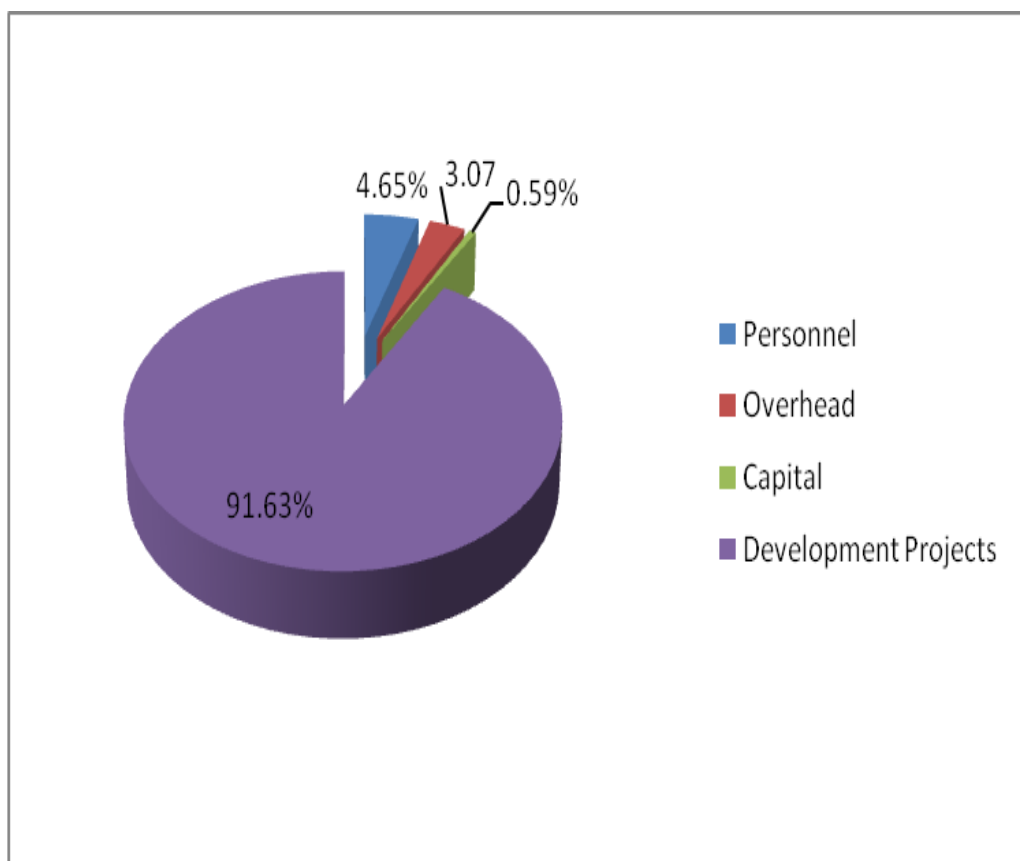
In summary, the breakdown is as follows;

Personnel 15bn

Overhead 9.9bn

Capital 1.9bn

Development Project 295.6bn



**Fig 3: Budget Summary**

Figure 3 above shows that allocation to personnel cost was ₦15bn representing 4.65% of total budget, while overhead was allocated ₦9.9bn representing 3.07% of total budget. The allocation to capital projects was ₦1.9bn representing 0.59% while the budget for development projects was ₦295.6bn representing 91.63% of total budget. The combined allocation to capital and development projects amounted to 92.22%.

Flowing from the figure presented above, it shows that the proportion of allocation to capital and development projects in the budget was high and far above the allocations to personnel and overhead. This is encouraging and we recommend that such trend should be sustained in subsequent budgets. The only question that would arise then is that why is there still development challenges despite this reasonable budget trend. In our opinion, two reasons may be responsible for this, first, is the issue of corruption

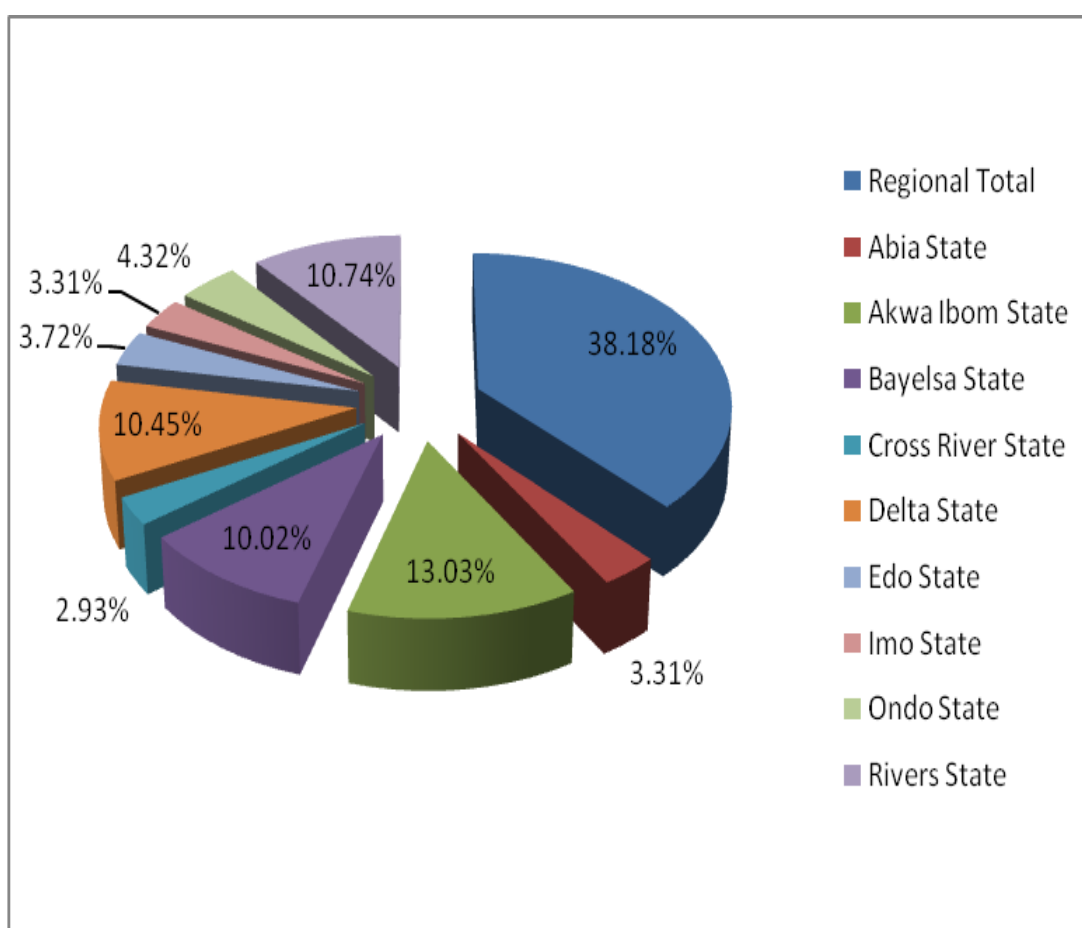
and mismanagement of resources, the other reason is that the total budgetary allocation to the Commission is grossly inadequate. One sure way of solving the problem of corruption and mismanagement is for the current administration to engage capable and incorruptible hands to run the Commission. The relevant Committee at the National Assembly should also step up their oversight on the Commission to ensure that corruption is minimized and proper resource management is ensured. The only way to solve the issue of poor budgetary allocation is to advocate increased budgetary allocation to the Commission. If this is done, the Commission will be able to deliver more development projects that are in line with its mandate.

## **State by State Allocation**

**Table 2: Aggregates of NDDC's projects budget components**

S/N	STATE / REGION	BUDGET COST	COMMITMENT	AMOUNT APPROVED IN 2012	AMOUNT REQUIRED FOR 2013	AMOUNT APPROVED IN 2014
1	Regional Total	1,335,561,516,139	153,033,449,098	161,526,890,437	75,799,755,629.00	112,859,249,795.00
2	Abia State	74,738,704,027	10,854,320,558	8,396,687,855	8,795,969,061.00	9,795,969,061.00
3	Akwa Ibom State	325,320,106,054	54,311,890,286	41,979,674,163	32,471,905,778.00	38,521,905,778.00
4	Bayelsa State	327,455,635,287	40,134,893,896	30,013,631,640	25,476,305,778.00	28,608,805,778.00
5	Cross River State	68,018,572,148	13,676,226,546	8,313,024,955	8,635,777,778.00	8,657,777,778.00
6	Delta State	279,571,589,203	51,077,949,969	28,732,512,050	28,898,583,778.00	30,898,583,778.00
7	Edo State	62,418,817,155	4,751,477,070	11,887,973,096	10,793,155,778.00.99	10,996,155,778.00
8	Imo State	82,890,983,290	7,145,344,191	9,205,641,137	8,929,779,777.78.00	9,779,779,778.00
9	Ondo State	78,249,047,679	696,271,360	10,182,020,325	11,757,803,778.00	12,757,803,778.00
10	Rivers State	225,441,904,056	10,891,068,804	13,886,714,532	30,745,700,254.00	31,758,435,778.00
<b>Total</b>		<b>2,889,666,875,038.39</b>	<b>346,572,891,779.19</b>	<b>279,124,770,190.74</b>	<b>233,374,956,611.20</b>	<b>295,634,467,080.00</b>

*(source: ANEEJ compilation from NDDC approved budget for 2014)*



**Fig 4: A breakdown of the expenditure approvals for Regional and States projects**

Table 2 and Figure 4, above shows aggregate of NDDC projects budget component including regional development projects. The analysis of the budgetary provisions for projects interventions according to States shows that Akwa Ibom, Rivers, Delta and Bayelsa States got approximately 13.03%, 10.74%, 10.45% and 10.02% respectively while about 38.18% was earmarked for Regional projects. Ondo and Edo States got 4.32% and 3.72% respectively while the remaining State such as Abia, Imo and Cross River got approximately 3.31%, 3.31% and 2.93% respectively. The result shows that the highest amount was allocated to Akwa Ibom State being the highest oil producing State in Nigeria, closely followed by Rivers, Delta and Bayelsa. The likes of Edo, Ondo, Imo and Abia were allocated small resource, while the least went to Cross River State. The implication of this result is that Akwa Ibom State will be better

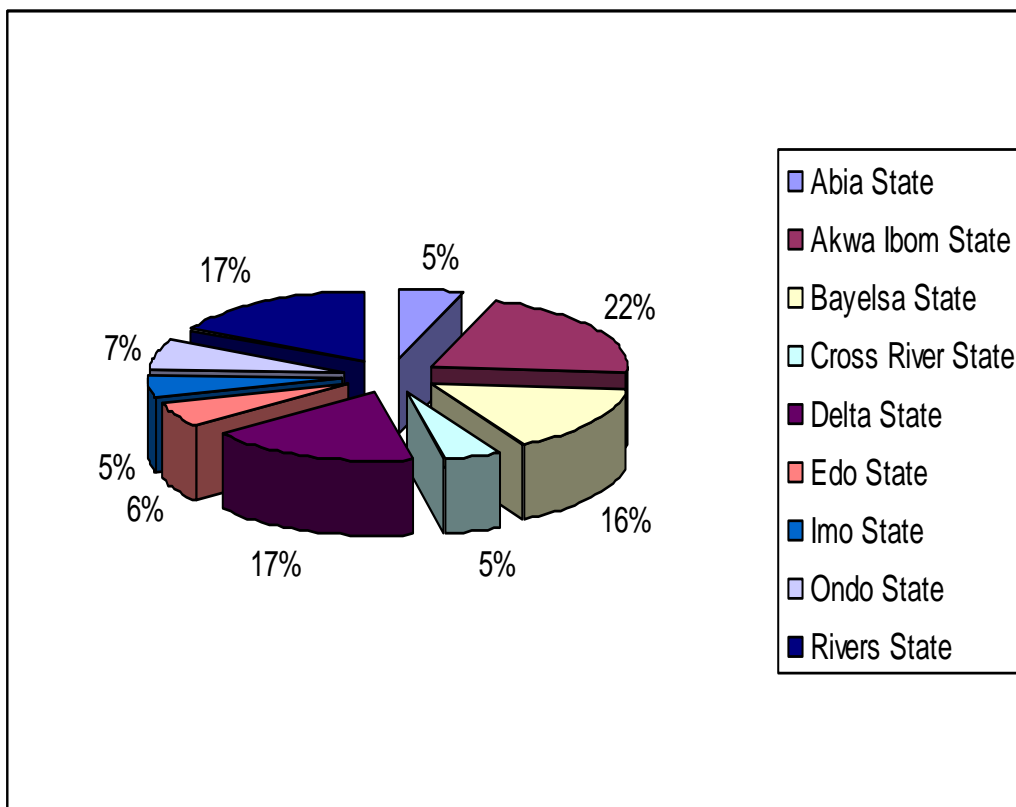
positioned to deliver more development project when compared to States like Ondo, Edo, Abia, Imo and Cross River.

**Table 3: Direct provisions for States in NDDC's Budget**

S/N	State	Project Budget
1	Abia State	9,795,969,061.00
2	Akwa Ibom State	38,521,905,778.00
3	Bayelsa State	28,608,805,778.00
4	Cross River State	8,657,777,778.00
5	Delta State	30,898,583,778.00
6	Edo State	10,996,155,778.00
7	Imo State	9,779,779,778.00
8	Ondo State	12,757,803,778.00
9	Rivers State	31,758,435,778.00

**Source: Authors compilation from NDDC 2014 Budget**

Table 3 and Figure 5 shows the direct provision for States in the budget excluding the provision for regional level intervention. Akwa Ibom State again leads with 22% share followed by other States including Rivers 17%, Delta 17%, Bayelsa 16%. Others are Ondo 7%, Edo 6%, Imo, Abia and Cross River States 5% each.



**Fig 5: Direct provision to States**

#### **Allocation to Regional Development Projects**

Table 4 below shows that Agriculture and Fisheries was allocated ₦275,889,522.00, while Canalization / Reclamation got ₦13,229,000,000.00. Community and Rural Development, Ecological Fund, Education, Energy/Power Supply and ICT got ₦130,000,000.00, ₦4,476,231,171.02, ₦2,019,411,707.44, ₦3,669,562,500.00 and ₦364,489,893.25 respectively. Others include Industrial & Enterprise Development ₦275,120,000.00, Strategic Planning, R &D, Management Information System ₦394,000,000.00, Projects Administration ₦880,00,000.00, Security Administration ₦16,000,000,000.00, Health ₦2,401,365,901.00, Jetty / Shore Protection ₦19,266,518,773.42, Roads & Bridges ₦34,422,605,012.71, Youths, Sports and Women Empowerment ₦10,602,500,000.00 and Governance & Social Services ₦10,985,537,519.00.

The Table shows that road and bridges got the highest allocation of ₦34bn, while Community and Rural Development got the smallest allocation of ₦130m. Administration of security across the region had a huge chunk of the Commission's 2014 budget, perhaps reflecting the security challenge in the region. Community and rural development had the least provision, perhaps due to the fact that every intervention ultimately leads to developments at the community level.

**Table 4: Provisions for regional level interventions by Sectors in NDDC's budget**

<b>S/N</b>	<b>State</b>	<b>Project Budget</b>
1	Agric / Fisheries	275,889,522.00
2	Canalization / Reclamation	13,229,000,000.00
3	Community & Rural Devt.	130,000,000.00
4	Ecological Fund	4,476,231,171.02
5	Education	2,019,411,707.44
6	Energy / Power Supply	3,669,562,500.00
7	ICT	364,489,893.25
8	Industrial & Enterprise Devt.	275,120,000.00
9	Strategic Planning, R &D, Mgt Info System	394,000,000.00
10	Projects Adim	880,00,000.00
11	Security Admin	16,000,000,000.00
12	Health	2,401,365,901.00
13	Jetty / Shore Protection	19,266,518,773.42
14	Roads & Bridges	34,422,605,012.71
15	Youths, Sports & Women Empowerment	10,602,500,000.00
16	Governance & Social Services	10,985,537,519.00

### **Recommendations**

- For the Ministry of Niger Delta Affairs which was set up specifically to develop the region, to actualise its mandates, it should devote higher budgetary allocation to capital projects and not the other way round. This is the predicament which the Federal government of Nigeria have been engulfed



over the year and no meaningful development can be achieved under this situation.

- The NDDC should sustain the practice of allocating higher proportion of her budget to capital and development project as this is in line with the expectation of the people of the region. Where this is sustained and the Commission adopts a transparent mechanism to identify, implement and monitor her projects, the Commission will be on track in the effectiveness to deliver her mandates
- The relevant Committee at the National Assembly should also step up their oversight on the NDDC and Ministry of Niger Delta Affairs to ensure that issues of corruption is minimized and that judicious resource utilisation is ensured.
- The only way to solve the issue of poor budgetary allocation to Niger Delta Development Agencies is to advocate for increased budgetary allocation to such agencies. If this is done, the Agencies will be able to deliver more development projects that are in line with its mandate.
- It was difficult and near impossible to get NDDC complete budget in order to undertake this analysis. It is important that the Commission puts her budget in public domain just the way that of the Federal Ministry of Niger Delta Affairs is accessible to all. This is important because the budget of the NDDC is a public document and should be accessible to all so that citizens and other interested parties can undertake independent assessment of the document and even follow up with projects and possibly give feedback to the Commission. This will assist the commission to get feelers from the citizens regarding the nature and implementation of their budget.