COST OF GOVERNANCE AND LEAKAGES IN THE SYSTEM

(A Handbook on Reducing the Cost of Governance and Leakages in the Fiscal System)

Centre for Social Justice (CSJ)

(Mainstreaming Social Justice In Public Life)

Written by

Eze Onyekpere Esq

With research assistance from Ofoegbu Donald Ikenna

First Published in February 2014

By

Centre for Social Justice (CSJ)
No. 17 (Flat 2) Yaounde Street, Wuse Zone 6
P.O Box 11418 Garki, abuja
Tel: 08055070909; 08127235995
Website: ww.csj-ng.org
Email: censoj@gmail.com

Twitter: @censoj
Facebook: Centre for Social Justice, Nigeria
YouTube: www.youtube.com/user/CSJNigeria.
Soundcloud: www.soundcloud.com/centre-for-social-justiceNigeria

ISBN: 978-978—942-026-1

Table of Contents

Acronyms

ARCN	Agricultural Research Council of Nigeria
BPP	Bureau of Public Procurement
CBN	Central Bank of Nigeria
CSJ	Centre for Social Justice
FCT	Federal Capital Territory
FGN	Federal Government of Nigeria
FRA	Fiscal Responsibility Act
FRC	Fiscal Responsibility Commission
FRCN	Federal Radio Corporation of Nigeria
GDP	Gross Domestic Product
GIMFIS	Government Integrated Financial Management Information System
IGR	Internally Generated Revenue
IMF	International Monetary Fund
INEC	Independent National Electoral Commission
IPPIS	Integrated Payroll and Personnel Information System
MDAs	Ministries Department and Agencies
NASS	National Assembly
NDDC	Niger Delta Development Commission
NECO	National Examination Council

NEEDS	National Economic Empowerment and Development Strategy
NEITI	Nigerian Extractive Industry Transparency Initiative
NESREA	National Environmental Standards and Regulations Enforcement Agency
NHRC	National Human Rights Commission
NJC	National Judicial Council
NLNG	Nigeria Liquefied Natural Gas
NNPC	Nigeria National Petroleum Corporation
NOSDRA	National Oil Spill Detection and Response Agency
NTA	Nigeria Television Authority
PCC	Public Complaints Commission
PIB	Petroleum Industry Bill
PICA	Project Implementation Continuity Act
PPA	Public Procurement Act
RBDAs	River Basin Development Authorities
RMAFC	Revenue Mobilization Allocation and Fiscal Commission
TSA	Treasury Single Account
UBEC	Universal Basic Education Commission
VON	Voice of Nigeria
WAEC	West African Examination Council

ACKNOWLEDGEMENT

Centre for Social Justice (CSJ) acknowledges the support of the Open Society Initiative for West Africa (OSIWA) towards the research and publication of this Handbook.

Foreword

This Handbook sets out to document issues in the cost of governance and leakages in the fiscal system. It analyses the issues and proffers recommendations and justifications for the recommendations. Essentially, it charts a way forward for the reduction of the cost of governance and eliminating leakages in the fiscal system

It has been a perennial and recurring decimal that the cost of governance and administration in Nigeria is unduly high. The implication is that the country spends over 75% of her federal budget on recurrent expenditure leaving less than 25% on capital expenditure. A good part of the capital expenditure is still spent on administrative capital. The recurrent expenditure is over 85% personnel expenses and this is for the maintenance of less than 1% of the population. However, it has been the dream of the country to invest a minimum of 40% of her budget in capital expenditure as this will facilitate the closing of the infrastructure deficit and funding gap.

On the other hand, the country suffers a lot of leakages. Revenues that are due are not remitted to treasury and oil theft has gained ascendancy. Nigeria has a large number of political appointees including ministers and special advisers but this has not improved service delivery. The Monetisation Policy which was designed to save cost for government seems to have been abandoned while abandoned projects litter the landscape. Violation of the Public Procurement Act which was designed to introduce value for money through the preponderance of open competitive bidding is on the increase. The special and restricted forms of tendering have become the norm with open competitive bidding as exceptions to the general rule.

The cost of running the National Assembly is on the increase while most MDAs are over-staffed. New agencies and commissions are created by the legislature without considering the mandate of existing agencies. Government accounts are overdrawn as the Treasury Single Account is yet to cover all MDAs. The status of NNPC and its mode of operation deny the Federation Account of revenues while non-metering of oil wells creates accountability and measurement challenges for oil extraction. Nigeria continues to import refined petroleum products despite being an exporter of crude petroleum. This has led to the depletion of foreign reserves, export of jobs and loss of revenue that would have accrued to government from taxes.

The budgeting system is opaque with repetitive budgeting, frivolous and wasteful expenditure; funding of pilgrimages in a secular/multi-religious society. High level government officials enjoy medical expenses funded by government in foreign lands while service wide votes have become a conduit for mismanagement of public funds. The audit process which is supposed to correct fiscal mismanagement has become a frustrating exercise in report writing. The Auditor-General for the Federation produces a report and submits to the Public Accounts Committees of the Senate and House of Representatives respectively. In turn, the PACs produce another report which to a great extent gathers dust on the shelves. There is poor compliance with the Freedom of Information Act.

The Oronsaye Committee on Restructuring and Rationalisation of Federal Government Parastatals, Commissions and Agencies made some far reaching recommendations for reducing the cost of governance. This Handbook documents a few of them and sets out recommendations for their implementation.

It is hoped that by applying the recommendations proffered in this Handbook, Nigeria will be improving the management of her fiscal resources which will lead to improvements in the living conditions of the majority.

Eze Onyekpere Esq
Lead Director

Issues, Analysis, Recommendations and Justifications on the Cost of Governance and Leakages in the Fiscal System

Issue	Analysis	Recommendation and Justification
1. Large Number of Ministers	The Constitution in S.147 gives the President the power to establish offices of Ministers of the Government of the Federation provided that the President shall appoint at least one Minister from each State, who shall be an indigene of such State. The implication is that at any given point in time, Nigeria will have a minimum of 37 ministers representing the 36 states and FCT. In 2014, there are 41 offices of Ministers. This is an unwieldy arrangement that increases costs the cost of governance. Compare this position to the United States and France with only 21 and 24 ministers respectively.	Amend the provision of S.147 of the Constitution to read "provided that in giving effect to the provisions aforesaid, the President shall not appoint more than 18 Ministers". This will cut down the cost of maintaining over 41 ministers - their paraphernalia of office, salaries and allowances. The remuneration and allowances of Ministers is as stipulated by Certain Political, Public and Judicial Office Holders (Salaries and Allowances, Etc) (Amendment Act) of 2008. It includes (using the annual basic salary of N2,026,400 as the basis) accommodation 200%; utilities 30%; domestic staff 75%; entertainment 45%; medical facilities and security are provided by the state and will cover treatment in foreign hospitals; furniture 300%; personal assistant 25%; motor vehicle loan 400%; motor maintenance and fuel allowance 75%; severance gratuity 300%; leave allowance 10%; newspaper allowance 15%; duty tour allowance N35,000; estacode USD900; monitoring allowance 20%.
2. Large Number of Special Advisers	By S.151 of the Constitution, the President may appoint any person as a Special Adviser to assist him in the performance	NASS should either by law or resolution fix the number of Special

	of his functions. The number of such Advisers, their remuneration and allowances shall be prescribed by law or a resolution of the National Assembly. There is no law or a resolution of NASS which regulates the number of Advisers. Special Advisers earn remuneration and allowances as stipulated by Certain Political, Public and Judicial Office Holders (Salaries and Allowances, Etc) (Amendment Act) of 2008. Special Advisers have annual basis salary of N1,942,875.00. They enjoy the same percentages of allowances like ministers vis-a-vis their annual basic salary. The only exception is that their estacode is USD800 and duty tour allowance is N25,000.	Advisers to the President at an upper limit of 15. There are so many SAs who draw remuneration and allowances from FGN. This has not translated into improvements in governance. The Constitution while conceding that there may be need for Special Advisers foresaw the need to limit the number so that appointments are not abused.
3. The Monetisation Programme	Despite the provisions of the Monetisation Policy and the Certain Political, Public and Judicial Office Holders (Salaries and Allowances, Etc) (Amendment Act) of 2008, some persons whose entitlements have been monetised still have the same facilities provided for them again at the public expense. A Ministry has at least one minister - some have two, with a permanent secretary; they enjoy very high perks of office. Other non political office holders - the core civil servants are also entitled to monetised benefits and FGN is not supposed to pay twice for the same expenditure head. The savings made from monetisation will enable government to prosecute more capital projects. Despite the monetisation exercise, various sums are allocated annually for the provision of the monetised benefits i.e. including provisions for vehicles, sporting activities and housing in some cases[1].	FGN should meticulously and rigorously implement the Monetisation Policy. The gains of monetisation as stated by the Ekaette Committee include efficiency in resource allocation, equity in the provision of amenities and encouragement of public servants to own personal houses. It also enables public servants to plan for a more comfortable post-service life. Furthermore, it minimises waste, misuse and abuse of public facilities. For these reasons, the concept of monetisation has gained worldwide acceptance. In more specific terms, monetisation of facilities, such as housing, furniture and vehicles will reduce capital cost, maintenance and running costs. It also promotes the

[1]See the report of the Committee on the Monetisation of Fringe Benefits in the Public Service of the Federation set up by President Obasanjo dated November 11, 2002, under the Chairmanship of the former Secretary to the Government of the Federation, Chief J. Ekaette.

		observance of maintenance culture and discipline in the use of public utilities since the individuals will now have to pay for such services, which hitherto were paid for by government. In addition, the monetisation of medical treatment will go a long way in curbing submission of spurious bills and delays in processing refund of medical bills[2].
4. Abandonment of Projects	The Ibrahim Bunu Presidential Committee which submitted its report in June 2011 reported that there were 11,886 abandoned capital projects which will require N7.78trillion to complete. Abandonment of projects leads to waste as sums already invested give no benefit to society. If the projects are to be kick-started, undue cost overruns will weigh heavily on the treasury and at the end of the day; the project will be completed at a cost higher than would have been if it was not abandoned.	FGN should ensure the full implementation of the Public Procurement Act (PPA) and the Fiscal Responsibility Act (FRA). In this direction, the immediate inauguration of the National Council on Public Procurement is imperative. The second recommendation is the development of a framework to prioritise on-going capital projects and a moratorium on new capital projects except very key and extra important new ones, so that resources are not thinly spread and wasted. The third is for NASS to speed up the enactment of the Project Implementation Continuity Act (PICA) as provided by Vision 20:2020[3]. It guarantees inter alia development planning, creates a register of projects and makes it compulsory for ongoing projects to be completed before new

[2] Supra

[3] Already before the National Assembly as a Bill to *Make Development Planning Compulsory for all Tiers of Government in Nigeria and to Create Coherent and Measurable Targets in Developmental Initiatives in Support of the Attainment of Vision 20:2020 and for Other Related Matters*.

		ones are initiated.
5. Violations of the Public Procurement Act	Open competitive bidding should be the norm in federal procurements while special and restricted tendering are exceptions to the rule to be employed in special circumstances to be justified under the law and the regulations made by the Bureau of Public Procurement. However, special and restricted tendering has become the norm accounting for about 72% of procurements, while open competitive bidding has become an exception to the general rule. Other violations of the Public Procurement Act include over invoicing, bid rigging and undue delay in executing procurements. The foregoing and other acts of non-adherence to the rules increase the cost of executing capital projects.	The President should immediately establish and inaugurate the National Council on Public Procurement. The second is for the BPP to carry out procurement audits and take follow-up action on the reports. The BPP should begin to exercise the power to debar suppliers, contractors and service providers that manifestly contravene the PPA. It should also begin to exercise administrative disciplinary sanctions against erring Accounting Officers and other staff of MDAs. Continued awareness raising and setting new standards by the BPP on the PPA is imperative. Finally, the Attorney-General of the Federation should prosecute natural and artificial persons who violate the procurement law.
6. High Cost of Running the National Assembly	It is alleged that members of the National Assembly are the highest paid lawmakers in the world. NASS members, according to the Economist[4] are the highest paid in the world with an annual salary of $189,500 (N30.6million); which excludes allowances. The report, quoting data from the International Monetary Fund (IMF), considered the salaries of lawmakers around the world and expressed it as a ratio of Gross Domestic Product (GDP) per capita. It states the annual salary of a Nigerian federal lawmaker at $189,500	NASS members should strictly restrict their remuneration and allowances to those approved by the Revenue Mobilisation Allocation and Fiscal Commission. Collecting more money than approved by RMAFC under any guise is extremely unfair to the majority of the population who elected the legislators to make laws. Lawmakers

[4] The Economist: (July 15, 2013): Rewarding Work; A Comparison of Lawmakers' remuneration. Available online: www.economist.com/blogs/grahicdetails/2013/07/daily-chart-12

which is 116 times the country's GDP per capita, estimated at $1,600[5]. But this seems to contradict the official remuneration of NASS members as stipulated by RMAFC. Figure 2 and 3 below show the allocations to NASS from 1999-2013.

Figure 1

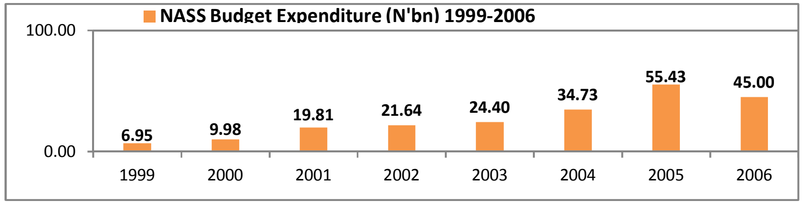
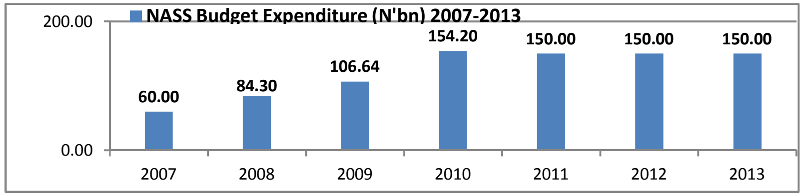


Figure 2



The challenge is to separate the remuneration of lawmakers from what is used in running their offices. The two seem to have been lumped together in the earlier analysis from the Economist. But from Figures 1 and 2, it can be seen that the escalation of costs in NASS started in 2007 and this has far exceeded the inflation and cost of living index. Evidently, there is no justification for a legislature run with N45b in 2006 to be getting N150b in the last five years. Compared to other countries, NASS budget was 3% of the federal budget in

are expected to be models of good conduct, leading by example and abiding by the law and its due process. The second recommendation is that NASS does not need N150b per year. It can be generously funded, from empirical evidence, with not more than N50b per year which still makes its expenditure per capita virtually double what obtains in South Africa. NASS has been on a statutory allocation of N150b per year since 2010 - for a legislature of 360 members in the House of Representatives and 109 Senators.

[5] Implicitly with N/$ exchange rate at N160/$, while legislators make N30, 320,000 annually (N2,526,666.7 a month), an average Nigerian makes N256,000 annually (N21,300.00 a month). According to the report, the annual income of middle class professionals would range between $15,000 and $30,000, senior middle class professionals up to $60,000, while executives would typically exceed $100,000.

	2013; Ghana and South Africa's legislatures drew 0.34% and 0.24% of their country's annual budget respectively[6]. Essentially while NASS drew N150b, Ghana and South Africa's parliament drew N8.965b and N26.208b respectively. If the budgeted sum is divided per capita – vis, per member of the parliament, it comes out to N319.8m, N32.5m and N53.4m for Nigeria, Ghana and South Africa parliaments respectively.	

7. Issue and Analysis: Incredibly High Recurrent Expenditure and very Low Capital Investments: The recurrent expenditure which is the cost of the administration is incredibly high and leaves little or nothing for capital investments. Tables 1 and 2 below demonstrate the trend since 2005. The Tables only captures non-debt recurrent expenditure excluding debt and statutory transfers.

Table 1: Capital and Recurrent Expenditure as a % of Total Budget

Year	Capital Exp (N'bn)	Capital as a percentage of Total Budget Expenditure (%)	Recurrent Exp (N'bn)	Recurrent as a percentage of Total Budget Expenditure (%)	Total Appropriation (N'bn)
2005	445.59	27.5	1,203.40	74.4	1,617.63
2006	542.53	28.9	1,257.37	67.0	1,876.30
2007	491.18	21.7	1,597.78	70.5	2,266.39
2008	711.63	21.4	2,095.11	62.9	3,331.00
2009	1,280.71	36.0	1,824.71	51.3	3,557.69
2010	1,764.69	34.2	2,669.01	51.7	5,159.66
2011	1,146.75	25.6	2,425.07	54.1	4,484.74
2012	1,339.99	28.5	2,425.05	51.6	4,697.21
2013	1,591.66	31.9	2,415.75	48.4	4,987.24
2014	1,119.61	23.8	2,454.89	52.3	4,695.19

Source: Appropriation Acts

Table 2: Actual Capital and Recurrent Expenditure as a % of Actual Appropriated Budget

Year	Actual Capital Exp (N'bn)	Actual Capital as a percentage of Total Budget Expenditure (%)	Actual Recurrent (Non-Debt) Exp (N'bn)	Actual Recurrent (Non-Debt) as a percentage of Total Budget Expenditure (%)	Actual Appropriated Budget (N'bn)
2008	711.63	25.4	1,553.83	55.4	2,806.74
2009	562.37	20.8	1,717.49	63.7	2,697.23
2010	883.87	21.8	2,546.24	62.9	4,047.06
2011	918.55	21.4	2,527.26	58.7	4,302.06
2012	744.42	18.0	2,400.30	58.1	4,131.23
2013	900.67	19.7	2,500.51	54.7	4,567.28

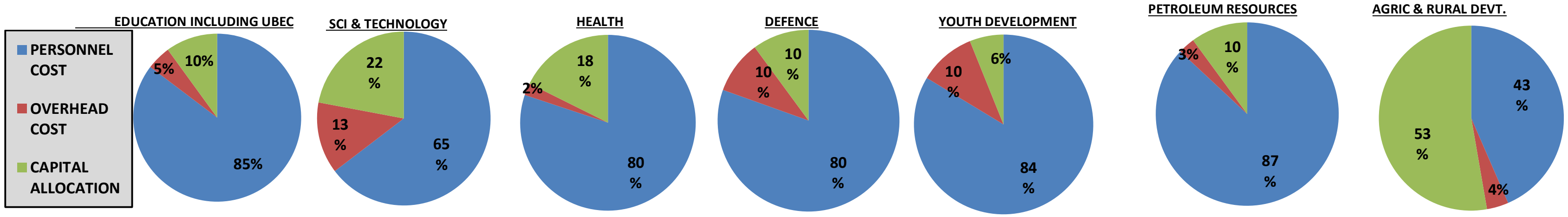
Source: Budget Implementation Reports (BOF)

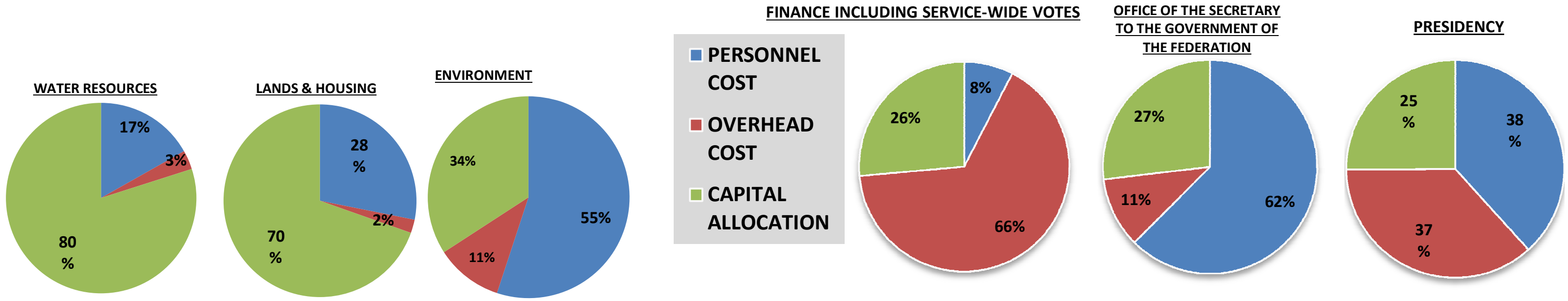
Table 1 shows the figures in the Appropriation Act while Table 2 is the actual expenditures. When the actual expenditures for the years are calculated, capital expenditure depreciates further as shown in Table 2 above. Capital expenditure averaged 21.2% while recurrent non-debt expenditure stood at 59%. The central challenge is that Nigeria has a large infrastructure deficit and a huge funding gap to close if it is to meet its infrastructure targets. Diminished spending on the capital budget is

[6] *Impunity 2012, 2013 Budget of Nigeria: Wastage, Duplication and Illegal Expenses to Avoid in the 2013 Budget* published by Stop Impunity Nigeria Campaign.

not the way to close the infrastructure and funding gap.

Consider for instance the Pie Charts for Ministries in the proposed 2014 budget:





Recommendation: The President in consultation with the National Assembly should set the recurrent/capital ratio at 60/40 in line with the provisions of earlier national standards like the National Economic Empowerment and Development Strategy. This will include clear directives on measures for cost saving and how to plug leakages in the system. Most of the recommendations for cost saving in this Handbook are focussed on recurrent expenditure and should be considered in the reduction of recurrent expenditure.

8. Ghost Workers Bloating the Wage Bill	Over N118.9b was reported to have been saved by FGN after 45,000 ghost workers were discovered through the introduction of the Integrated Payroll and Personnel Information System (IPPIS). However, less than half of the MDAs have been captured since the introduction of the IPPIS in 2006. This has taken too long.	Complete the enlistment of all MDAs into the IPPIS: Document the respective Accounting Officers and relevant subordinates in charge of MDAs pay roll preparation and approval during the period the ghosts

		workers were discovered and make same available to the public. Prosecute those found to have participated in stealing public money using ghost workers. IPPIS promises to help enhance efficient personnel cost planning and budgeting and ensure that cost is based on actual verified numbers and not estimates thereby saving the government substantial resources[7].
9. Over-Staffed MDAs	In 2003, during President Obasanjo's administration, a staff audit showed that there were 1.2 million federal civil servants, 1,500 political office holders (Ministers, Special Advisers and Special Assistants), 469 federal legislators and over 1,500 judicial officers. As part of cost cutting measures, the Obasanjo administration reduced the number of federal ministries from 22 to 16 by merging some of the ministries. But his successor, President Yar'Adua increased the number of ministries from 16 to 29. With regard to the size of the federal civil service of 1.2 million, several attempts were made to reduce both the size and cost of the federal civil service. But these efforts have been largely unsuccessful for reasons ranging from a lack of commitment on the part of successive federal governments to the practical difficulties of achieving the objective[8]. This partly explains the fact that over 70% of the nation's budget is allocated to re-current personnel and overhead expenditure. A larger fraction of the nation's resources is allocated to service just less than 1% of the population.	FGN should set limits to the number of employees that MDAs can engage. Such agencies as the Salaries and Wages Commission, Fiscal Responsibility Commission and the office of the Head of Service should collaborate to set the limits for each MDA.
10. Creation of	Many bills in the National Assembly are proposing to set up	Every bill in NASS should be reviewed

[7] See page 102 of the Mid-Term Report on the Transformation Agenda 2011-2-13.
[8] The Nation Newspaper (15/9/2011)

New Agencies, Commission, etc, by NASS	new agencies and commissions to undertake either new assignments or to better perform existing tasks. The passage of these bills in their present form will further bloat the size of the bureaucracy.	to determine if the tasks stated in the bill have already been assigned to existing agencies; new tasks can be assigned to existing institutions; and whether the cost of funding is commensurate to the new services to be rendered - some form of cost benefit analysis.
11. Overdrawn Position of Government Accounts and Improper Management of Federal Finances	FGN accounts have not been unified and consolidated and government accounts are usually overdrawn. The fragmentation of government banking arrangement leads to ineffective aggregate control over government cash balances. The continued delay in returning government accounts to the Central Bank is adding to the huge cost of government debt due to poor cash flow management[9].	Ensure that all MDAs are logged on to the Treasury Single Account (TSA). This gives a consolidated view of FGN's cash position and helps to reverse overall FGN accounts overdraft position. For instance, in 2013, the TSA was reported to have reversed the position from an overdraft of N102b to a credit of N4.6b. This will cut expenses on bank charges and costs[10]. The preparation of an Annual Cash Plan and the Budget Disbursement Schedule in accordance with S.25 of the Fiscal Responsibility Act will also facilitate proper cash management and scheduling of financial commitments. The full introduction of the Government Integrated Financial Management Information System (GIMFIS) will also facilitate the proper management of federal finances.
12. Non	S.21 of the Fiscal Responsibility Act requires that four fifths of	The Fiscal Responsibility Commission

[9] See Communiqué of the 235th Monetary Policy Committee of the Central Bank of Nigeria.

[10] Mid Term Report on the Transformation Agenda; supra

Remittance of Operating Surplus	the operating surplus of government corporations and agencies be paid over to the Consolidated Revenue Fund not later than one month following the statutory deadline for publishing each corporation's account. Many government corporations have defaulted in paying over operating surplus to the treasury. However, the FRA did not define operating surplus. In accounting terms, it is a proxy for total pre-tax profit incomes - but these corporations are not set up for profit. Operating surplus should include factor income, value added, and increase in the value of inventories held with or without a valuation adjustment reflecting average prices during the accounting period[11]. It is not clear whether the Accountant-General of the Federation has published the rules for the computation of operating surplus considering that it is his duty to publish general standards for the consolidation of government accounts[12]. Available information indicates that the corporations and agencies are using different accounting methods; while some are calculating their accounts and operating surplus based on cash accounting, others are using accrual accounting. The implication is that two agencies with same income and expenditure may pay different operating surpluses to the treasury. Some corporations are also resisting paying their surpluses to the treasury.	should take concrete and targeted steps to collect the operating surplus of corporations and agencies. Secondly, it should liaise with the office of the Accountant-General of the Federation to standardise the accounting method for the purpose of calculation of operating surplus due from corporations and agencies.
13. Diversion of Internally Generated Revenue (IGR)	Some MDAs generate IGR and fail to report same to the appropriate authorities. This is against the relevant Financial Instructions and government policy.	In accordance with the Financial Instructions, Public Service Rules, relevant criminal laws, exercise disciplinary action and control on erring Accounting Officers and MDAs
14. Withholding of	Some agencies collect taxes on behalf of government and	In accordance with the relevant

[11] See Wikipedia, the Free Encyclopedia.
[12] See S.49 (3) of the FRA

Taxes collected without remittance to Treasury	refuse to remit same to treasury thereby misappropriating the collected taxes. This reduces the revenue available to government.	criminal laws, recover the money and prosecute the artificial and legal persons involved in the scam. This should be done in a collaboration between Federal Inland Revenue Service, the Fiscal Responsibility Commission, the anti corruption agencies and the Attorney-General of the Federation.
15. Status of NNPC and Its Mode of Operation	The NNPC is the apparent big elephant that has programmed itself not to respond to any stimuli for change and reforms. The allegations that have been leveled against the NNPC by stakeholders are legion. NASS and the States have alleged and proven that it has been withholding funds due to the Federation Account which belongs to the three tiers of government[13]. It is both a regulator in the sector and an operator. Its operations are laden with opaque transactions and it clearly operates above the laws of the land[14]. The result is tremendous losses to the treasury and Nigeria not getting full value for money from the hydrocarbons it extracts. Nigeria also spends heavily from the treasury for joint venture cash calls for operating oil extraction activities with	NASS has no alternative but to pass the Petroleum Industry Bill which will liberalise the sector, split up the NNPC and establish entities that will compete in the market place. This will raise additional revenue to the three tiers of government, reduce losses to the treasury; free FGN from Joint Venture Cash payments, etc. All stakeholders in the executive, private sector and civil society must step up advocacy and lobby for NASS to expedite action and pass an acceptable PIB that responds

[13] The Federal State and Local Governments who share from the Federation account which is a distributable pool account.

[14] Some of the issues raised by stakeholders include the following. The Nigeria Extractive Industry Transparency Initiative (NEITI) in its 2009-2011 report stated that NNPC illegally paid itself the sum of N1.4 trillion between 2009 and 2011 in petrol subsidy. NEITI's report shows that NNPC owed the Federation Account a whopping N1.3 trillion after subsidy claims by NNPC grew astronomically within the three years under review. The report also accused the NNPC of using exchange rates lower than what was obtainable at the Central Bank of Nigeria (CBN) in its transactions. According to NEITI, the foreign exchange rate used by NNPC led to the loss of N98.3billion by the Federal Government between 2009 and 2011.The report clearly underlines that contrary to the practice where subsidy payments are claimed from the Petroleum Products and Pricing Regulatory Agency by the qualifying oil marketing companies, the NNPC draws subsidy payments directly from domestic crude oil sales proceeds before remittances to the Federation Account. As a result, a sum of N1.4 trillion was claimed during the period by the NNPC as oil subsidy payments. Subsidy payments claimed by the NNPC increased by 110 per cent. For example, it rose from N198billion in 2009 to N416billion in 2010. In 2011 alone, it rose to N786billion. The increase between 2009 and 2011 alone was 186 per cent. A further breakdown of the revenue lost to the activities of the NNPC as contained in the report showed that financial flows from the Nigeria Liquefied Natural Gas (NLNG), including dividends and repayment of loans, of which $4.84 billion was received by the NNPC, was not remitted to the Federation Account.

	international oil companies.	to the challenges of the petroleum and gas industry.
16. Non-Metering of Oil Wells	Allied to the opaque nature of NNPC's activities is the failure to install meters at oil wells to determine the quantity of oil extracted from the earth. This is not in line with international best practices. The oil production figures released by NNPC from time to time do not seem reliable due to the lack of a proper metering system for the measurement of oil production and lifting. A situation where Nigeria relies on figures of production by international oil companies who are in business for maximising profit is inappropriate and unacceptable. These figures are not verifiable by empirical evidence. Recently, the Department of Weights and Measures in the Ministry of Trade and Investment disclosed that Nigeria conservatively lost about N2.2trillion annually to inaccurate measurement systems adopted across all sectors of the economy, especially in oil and gas. Stakeholders have put the leakage in the oil industry due to this fact at between USD$5b-$10b.	Government policy should mandate the installation of metres in oil wells at all oil extracting points. This can be done through government guaranteed funding (including loans) from the private sector or through public private partnership.
17. Oil Theft	Oil production for 2014 is projected at 2.3883mbpd which is less than the 2013 projection of 2.526mbp. Nigeria has been reported to be losing between 300,000 to 500,000 barrels of crude oil every day to oil theft and this informed the reduced projections. At an average price of USD$100 per barrel; at 300,000, it comes up to $30m a day; $40m a day at 400,000bpd and $50m at 500,000bpd. Each of these scenarios is a loss more than half the federal budget at the end of the year. Government exists to maintain law and order and it is not right for government to be retreating in the face of criminals especially when government has given out special contracts for the policing of the pipelines. Apart from the pipeline policing contract, various security agencies exist to secure the sanctity of oil production and export and stop	The President should give clear orders and instructions to the security chiefs to stop the stealing of Nigeria's crude. Extra equipment and military hardware should be provided if the security agencies lack the capacity to police the territorial waters and creeks.

	the theft.	
18. Continued Importation of Refined Oil Products	Nigeria, a major oil producer and exporter of crude oil continues to spend trillions of naira on a yearly basis for the importation of refined petroleum products including petrol, diesel, kerosene and aviation fuel. The money spent on importing refined petroleum products is more than the capital budget and over 30% of the overall budget. The local refineries owned by government have been mismanaged and are not working at optimum capacity. Monies meant for turn-around maintenance never turn around the refineries but the pockets of contractors and high ranking officers of state.	Government should immediately privatise the existing refineries to core investors with the requisite technical, financial and managerial expertise to turn around the fortunes of the refineries. It should also create a special fund or guarantee funding for selected Nigerian private investors to build refineries with sufficient capacities to meet local demand and for export. Continued importation of petroleum products diverts money that should have been invested in capital and other projects in the economy. It puts unnecessary pressure on the naira through the outflow of foreign currency. It also export jobs (which should have been created in refineries at home) to other countries; denies FGN the taxes that should have been due from petroleum refining companies and the personal income tax of employees of the companies.
19. Poor Management of Funds from Development Partners	Federal budgets contain provisions for programmes where donors and Nigeria’s partners have made substantial provisions for service delivery. The implication is that federal resources have been devoted to already funded projects thereby wasting public resources and providing opportunities for corruption through double counting. The 2014 Appropriation Act and previous Appropriation Acts contain provisions such as:	Beyond the provisions of the Appropriation Act, it should be made compulsory that NASS considers all development cooperation and grants available to an MDA before approving their annual budget. Criminal and administrative sanctions should await accounting officers of MDAs who refuse to give information or who give

	All Accounting Officers of Ministries, Parastatals and Departments of government who control heads of expenditures shall upon the coming into effect of this Bill furnish the National Assembly on quarterly basis with detailed information on all foreign and or domestic assistance received from any Agency, Person or Organization in any form whatsoever. But this does not seem to be of much relevance; even the National Planning Commission that is statutorily charged with coordinating development cooperation affirms that development cooperation has been haphazard and not properly coordinated and targeted at our national priorities; that NPC is still struggling to get all the necessary documentation of the projects funded for MDAs[15]	wrong information or deceive NASS and the National Planning Commission. The National Planning Commission and MDAs should on a yearly basis agree on areas that will need support from development partners; rather that the current haphazard and uncoordinated approach.
20. Opaque Budgeting Practices: Statutory Transfers	The availability, simplicity and comprehensiveness of fiscal data is imperative to drive citizen participation and illuminate issues for informed discussion[16]. Concealing the details of government spending raises a red flag on accountability. According to the Economist, some countries reveal more about their budgets than others. France, Britain, America and South Africa are among the countries that provide the most information, according to the new Open Budget Index, created by the Center on Budget and Policy Priorities. The index ranks countries by budget documents published in a year. According to the report, Nigeria, Egypt and Vietnam provide scant information or none at all[17]. From the report, Nigeria opens only 20% of the expected data on budget. Grey areas still persist in the budget where the light of open	The recommendation is the publication of the details of all statutory transfers; the same way other appropriations are published. Any vote, the details of which are not available to the public cannot be held accountable. It has been the long held view of CSJ that it is not acceptable to spend money in a constitutional democracy in way and manner that is unknown to the public.

[15] Speech made by the Accounting Officer of the National Planning Commission at the public hearing on the Voluntary Organisations Bill at the House of Representatives in July 2 2014.
[16] Retooling The Nigerian Budget. BudgIT 2013
[17] Open Budget Index; The Economist. Available online: http://www.economist.com/node/8081915

	data has not reached; a best instance is the Statutory Transfers; the first line deductions appropriated to the National Judicial Council, National Assembly, Independent National Electoral Commission (INEC), Niger Delta Development Commission, Universal Basic Education Commission, National Human Rights Commission and Public Complaints Commission. The votes of these agencies are stated as lump sums without details.	
21. Opaque Budgeting Practices: Incomprehensible Appropriation	Federal budgets (for instance, the 2014 budget proposal) contain incomprehensible line items such as SGF19003831 which was allocated N250million[18]. The Ministry of Agriculture plays on words and repeats items like "seed, seeds, seedlings, improved seeds, seeds dressing, fertilizer, herbicide, fungicide, agrochemicals" etc, without identifying the difference between "seed" and "seeds" and provides nothing more. How do you hold MDAs accountable when you do not understand the rational, nomenclature or features of what should be accounted for? A Ministry like Petroleum Resources asked for "Facilities for Technical/Administrative Cooperation with International Bodies on Oil and Gas Development and Utilisation" and got approval for N600m. Pray, what exactly is the approval for? Only known to those who requested and those who approved.	Budgets should be crafted in very clear and non codified language that enables everyone with a good understanding of the English Language to understand its contents. The rules for the crafting of the budget should be set by the Ministry of Finance/Budget Office of the Federation in collaboration with the Appropriation Committees of NASS. Such opaque and incomprehensible budget heads sets the opportunity for corruption since the votes cannot be monitored by the public.
22. Repetitive Budgeting	MDAs are in the habit of asking repetitively for computers, software, printers, photocopiers, furnishing, furniture, and maintenance of buildings for hundreds of millions and other administrative capital which they do not need. This unduly increases the cost of the administration.	The budget defence in the executive and legislature should meticulously identify these repetitive items and weed them out. The Ministry of Finance should set the criteria for admitting these demands into the budget proposal. Civil society should take its oversight of the budgeting process

[18] Office of the Secretary to the Government of the Federation.

		more seriously. There is the need to name and shame those who want to use the appropriation process for personal enrichment.
23. Frivolous and Wasteful Budget Expenditure	The line item review of the approved 2013 budget[19] shows wasteful, frivolous and inappropriate expenditures that are not targeted at the needs of Nigerians. Welfare packages are in excess of N3.5b. Pray, what is welfare packages for MDA staff whose personnel vote has been appropriated? Clearly a waste. Huge sums are budgeted for refreshment and meals and virtually every agency has a security vote; bloated sums for newspapers and periodicals, sporting equipment, travel costs, etc. in the Presidential Villa, there is “Upgrade and Maintenance of Villa Facilities” for N2.4b; “Maintenance of Office Building/Residential Quarters” for N510.9m; provisions are also made for maintenance of furniture, plants and machineries, motor vehicles and thereafter an omnibus provision called “Other Maintenance Services” for N156m. This kind of provisioning ridicules the concept of budgeting and makes Nigeria a laughing stock in the comity of civilised peoples.	The budget defence in the executive and legislature should meticulously identify these frivolous and wasteful items and weed them out. The Ministry of Finance should set the criteria for admitting these demands into the budget proposal. Civil society should take its oversight of the budgeting process more seriously. There is the need to name and shame those who want to use the appropriation process for personal enrichment. The role of civil society is made more relevant by some evidence of conspiracy between the executive and legislature to appropriate as much as possible for the running of government even when they are clear conduit pipes for waste.
24. Unlimited Funding of Medical Expenses including Medical Tourism of High Ranking Officials of State	High ranking government officials under the Certain Political, Public and Judicial office Holders (Salaries and Allowances, Etc) (Amendment Act) of 2008 enjoy full medical services provided by the state including treatment in foreign hospitals. While their other allowances have been monetised, the Act states that medical services are to be provided by the state. The officials include the President, Vice President, Secretary to the Government of the Federation, Ministers, Head of	With the exception of the President and Vice President, the Chief Justice of Nigeria, the President of the Senate and the Speaker of the House of Representatives, the health entitlements of other office holders should be monetised and for use in Nigerian hospitals. Anyone who wishes to be treated abroad should get

[19] Indeed, all budgets since 1999.

	Service, Special advisers, Auditor-General for the Federation, Permanent Secretaries and equivalent officials[20], Judicial Officers from the High Court and its equivalent up to the Supreme Court, Chairmen and members of constitutional Commissions or any other Commission established by the National Assembly. These are the officials in a position to formulate and implement policies that will improve our health system. Having been licensed to look for their health services outside Nigeria, the incentive to fix the health system is no longer there. As such, Nigerian incurs tremendous expenses in catering for the health of these officials outside our shores. The Nigeria Medical Association reported that Nigeria loses over \$500m annually to health tourism and about \$260m of this sum is spent in India. Nigeria's Sovereign Wealth Fund Authority puts the sum lost annually to medical tourism at over USD \$1b[21]. A good part of these sums comes from the public treasury.	treatment at his own expense. There are three main reasons in support of this position. First, it will reduce the cost spent on medical tourism and the second is that it will have the effect of compelling policy makers and implementers to improve the health system so that it can cater to the health needs of Nigerians. The third is that it will reduce the pressure on the value of the naira. Increased demand for outflows without corresponding increased inflows of foreign currency depreciates the naira.
25. Funding of Pilgrimages	The Nigerian government spends public money to fund Christian and Moslem pilgrimages running into billions of naira every year. Two Commissions; the Nigerian Christian Pilgrims Commission and the National Hajj Commission are funded at the public expense.	FGN should stop funding Christian and Moslem pilgrimages. Our constitution forbids the adoption of state religion. Nigeria being a secular and multi-religious society should not be seen to be promoting two religions over others

[20] Others include Directors-General, Executive Secretaries, INEC Resident Electoral Commissioners and Chief Executive of Parastatals, Agencies and Government companies.
[21]

		as this will amount to discrimination on the grounds of religion which is constitutionally forbidden. It is discrimination because it confers priviledges on members of the Christian and Moslem faith, a priviledge which is not available to members of others faiths.
26. Service Wide Votes	The continued year after year provision for Service Wide Votes in federal budgets is an aberration and open to abuse. For instance in the 2014 budget proposals, N118b was voted for personnel costs as if to say that Service Wide Votes was an MDA; N1.8b for pilgrimages after making provisions for the Christian Pilgrims and National Hajj Commission; Sports Development of N5b after making provisions for the National Sports Commission. All manner of slush funds are provided under Service Wide Votes. Enquiries by the National Assembly has revealed their gross abuse for instance, the National Human Rights Commission reports that monies were transferred to it for payment of severance package of permanent commissioners from the Service Wide Votes; it returned the sum to treasury as it had no permanent commissioners expecting severance benefits. Pray, the National Human Rights Commission made no request and money was transferred to it - there can be no greater evidence of abuse[22].	Abolish provisions for Service wide Votes. The Oronsaye Committee noted as follows on SWV: *The Committee noted the widely-held view of the abuse of the utilisation of the Service Wide Vote. It was the view of the Committee that budget heads currently captured under that Vote could actually be captured either under specific MDAs or the Contingency Vote. Considering the Constitutional provision for the Contingency Vote, it is believed that the Service Wide Vote is not only an aberration, but also an avoidable duplication. The Committee therefore recommends that the Service Wide Vote should be abolished and items currently captured under it transferred to the Contingency Vote or the appropriate MDAs.*

[22] According to the Executive Secretary of the Commission, Profesor Bem Angwe: In year, 2008, for instance when the sum of N123,150,259.00 was sent to the Commission from the Service Wide Vote for payment of severance package for permanent commissioners, the commission promptly returned the funds to the national treasury as no such permanent commissioners existed in the commission. See Thisday newspaper of July 6 2014.

27. Failure of Audit Goals	Public audit seeks inter alia to ensure that laws, policies and established processes have been followed; monies misappropriated or stolen recovered and clear rules of fiscal and other conduct established. Federal audit reports reveal repetitive offences for which offenders are not brought to book; refunds are not made to treasury and the state does not get guarantees of non-repetition. The result of the foregoing is frustrating audit scenarios: The treasury keeps incurring losses; lack of value for money for federal expenditure; and resources are constantly mismanaged. The Auditor-General for the Federation writes a report and submits it to the Public Accounts Committee which produces another report and everything is left to gather dust on the shelves - a frustrating exercise in report writing. Follow up remedial action is either lacking or ineffective.	The first recommendation is that NASS should speed up the passage of the Audit Reform Bill pending before it. This will grant more powers to the Auditor-General to recover misappropriated public funds. The second is to amend the Constitution to put all the expenses (capital and recurrent) of Auditor-General's office as a first line charge. This will give the Auditor-General greater autonomy and more resources to undertake the assignment of the office. The third is that the full Senate or House of Representatives should start approving the reports of Public Accounts Committees as reports of the Committee of the whole. They should also make the reports available to the public.
28. Poor Compliance with the Freedom of Information Act	The level of compliance with the Freedom of Information Act among MDAs is low. Instead of granting the requested documents to an applicant, many MDAs in clear violation of the law fail, refuse and neglect to do so. They would rather spend large sums of money hiring senior lawyers including Senior Advocates of Nigeria who charge very high fees at the public expense to defend the indefensible. At the end of the day, the public treasury loses money while society fails to get the benefits accruing from the proper implementation of the law.	Rules made by the Attorney-General of the Federation should include a surcharge of the fees payable to lawyers from the remuneration of the Accounting Officer of an MDA, when there is clear evidence that the material sought by the applicant did not come under the exemptions permitted by the law. Also, a summary procedure for MDAs to get legal advice on the

		propriety of releasing public documents should be established by the office of the Attorney-General. This should give MDAs advice on request within the statutory timeframe for the MDA to revert to the applicant.
Oronsaye Committee Recommendations: This Section will deal with a few recommendations of the Oronsaye Committee on Restructuring and Rationalisation of Federal Government Parastatals, Commissions and Agencies. The approach is to detail the Committee report in the analysis and put forth our views in the recommendation and justification.		
29. Membership of Boards, Commissions, etc.	According to the Committee, while reflecting diversity, competence, expertise and proven integrity are recommended as qualifications for board membership and the boards should be trim: 6 to 7 persons. So many government boards and commissions are unwieldy and need to be trimmed. They include persons who lack relevant expertise or sufficient knowledge of the subject matter to hold such office.	This is a recommendation that needs to be implemented. This will definitely reduce the costs of running agencies considering the perks of office of commissioners and board members.
30. Federal Medical Centres	Federal Medical Centres should no longer be administered by governing boards as the Centres do not have enabling laws. The Centres should be administered by a strengthened, competent, professional management team which should take over the responsibilities of the governing boards.	This would save costs and would be in accordance with the law. The Boards are adding no value to health services rendered in the Centres.
31. Psychiatrist Hospital Boards	Eight psychiatrist hospitals should be under the management of a single Board.	This would save costs and trim down the number of Boards. It is apparent that the Boards are adding no special value to the services of the hospitals.
32. National Population Commission	Reduce the number of members from 37 to a sizeable 7- a chairman and representatives of the geopolitical zones instead of a member per state.	Amend the Constitution to reflect the recommendation. A 37 member board is not only unwieldy; it would be difficult to coordinate members, form quorum, take and enforce decisions. It simply wastes resources.

33. Utilities Service Commission	The Commission should be abolished and its enabling law repealed.	This makes eminent sense since most of the enterprises it was regulating their charges have been privatised.
34. River Basin Development Authorities	A single 7-member governing board be appointed for the 12 RBDAs; a management audit of all the 12 RBDAs be conducted to ensure value for money and the management of the RBDAs be pruned to make it leaner, more efficient and cost effective.	12 different boards is a drain on the treasury. Their merger into one board is apposite. It makes no sense maintain 12 boards particularly, if the productivity of the RBDAs is benchmarked against the funds voted for them.
35. West African Examination Council and National Examination Council	WAEC and NECO are doing virtually the same set of things and should be merged. They examine students at the same ordinary level.	It is imperative to merge the two bodies. Government's continued funding of the duplication is a waste.
36. National Oil Spill Detection and Response Agency (NOSDRA)	NOSDRA should be scrapped and its enabling law repealed as there are existing and well equipped structures already dealing with all tiers of oil spill management in the petroleum industry; and the Department of Petroleum Resources remains the sole body to enforce standards in the oil and gas sector.	If there is an existing regulatory agency, there is no need for the duplication. Government's continued funding of the duplication is a waste. So NOSDRA should be scrapped.
37. National Environmental Standards and Regulations Enforcement Agency (NESREA)	NESREA should be scrapped and its enabling law repealed. Policy making and setting of standards for the environment should be domiciled in the Federal Ministry of Environment. This responsibility does not require the complicated apparatus of the magnitude of a Parastatal.	If the parent Ministry of Environment cannot formulate policy, what is the justification for its continued existence? It will be duplication for government to fund two policy making agencies in the same sector. So, NESREA should be scrapped.
38. Federal Radio Corporation of Nigeria; Voice of Nigeria and Nigeria	The recommendation is that these three bodies be merged into one body to be called Federal Broadcasting Corporation of Nigeria with a single board. Their enabling laws should be repealed.	This recommendation should be upheld as it saves costs. It is in line with best practices in other jurisdictions. The agencies are all into broadcasting and

Television Authority		the division is a mere splitting of hairs.
39. Administrative Staff College of Nigeria and Public Service Institute	The Committee recommended the merger of these two bodies because of the importance of capacity building to overall national economic growth and in order to derive greater value from huge public investments.	This recommendation is timely considering that two bodies are focussed on capacity building. There is no need for duplication and the recommendation should be implemented.
40. Research Institutes in the Ministry of Agriculture	The Committee recommends as follows, that: (*i*) all the Research Institutes be funded from the proposed National Research Development Fund to be set up by Government; (*ii*) all the Boards of the 15 agricultural research institutes be abolished and their enabling laws amended accordingly; (*iii*) the membership of the Governing Council of the Agricultural Council of Nigeria (ARCN) be reduced to not more than seven members, including the Executive Secretary of the Council and the four proposed Executive Directors in charge of the four research categories of Crop Cluster, Fisheries and Oceanography, Livestock and Veterinary Services; and Agricultural Management, Capacity Building and Extension Services; (*iv*) the enabling law of the ARCN be amended to reflect the new composition of its Board ; (*v*) urgent steps be taken by the Ministry/ARCN for a micro-restructuring of the research institutes to bring them at par with the global best practice of a 1:3 ratio of technical to administrative staff in the institutes ; and (*vi*) that each College of Agriculture be attached to an	This recommendations make eminent sense in view of the large sums of money government has invested in agricultural research and the little or no value derived from such investment over the years. This will save cost; drive the research institutions to be innovative and competitive and at the end of the day, increase the value they will add to the economy. It should be implemented.

	Institute of Research for the purpose of fostering the linkage between research, extension and learning.	