

BUDGET ANALYSIS BRIEF

BAYELSA STATE

2009

**NIGER DELTA CITIZENS AND BUDGET
PLATFORM**

● www.citizensbudget.org

A CALL FOR OPEN BUDGETING

By Niger Delta Citizens and Budget Platform (NDCBP)

The Niger Delta Citizens and Budget Platform initiated its budget advocacy campaign aimed at citizens' education, mobilization and participation in the budget process; and government's transparency, prudence and equity in the management of public resources. This analysis of 2009 budget of Bayelsa State budget has been produced for citizens, as well as the executive and legislative arms of government.

Bayelsa State and Revenues

Due to its status as an oil producing area, Bayelsa State benefits from a 13% share of proceeds derived from oil exploitation in the area, giving it an income edge over most other states in the federation. Other sources of revenue in the state include statutory allocation, excess crude windfalls, ecological fund and vast avenues of internal resource generation.

Despite the great resource potentials in internally generated revenue, this source of income has been the least viable in the state resource base. In 2007, internally generated revenue accounted for only 1% of the state's revenue. In 2008 it was 7.5% and projected to be 12% in 2009. This fact shows that the state depends largely on transfers from the federation account. The danger of this is that such revenues depend on the stability of the international oil market and Nigeria's role in it. As recent occurrences have proven, the international oil market is extremely susceptible to volatility. Hinging a state's revenue exclusively on such unpredictability could undermine governments ability to implement programmes..

Even with the compelling wealth of natural resources, the occurrence of environmental degradation, excruciating poverty and increasing community resistance has turned the state into theatre of conflict in the Niger Delta. It is perhaps this understanding that informed the focus and three strategic orientations (i.e. environmental sustainability, social advancement and economic prosperity) of the current administration's Sustainable Development Strategy (BYSSDS) - as a medium and long term development roadmap for the state in the decade 2009-2019.

Budget Transparency

Bayelsa State has exhibited great promise in terms of budget transparency. While it is the practice in most other states for the budget document to be kept highly secret, Bayelsa State is the first state in the Niger Delta and perhaps in Nigeria to place its complete annual budget on the web for public access. This is a trend that is worth commending as it marks a clear shift from the era of secrecy. However, the same trend does not apply to other areas such as budget performance documents and other relevant fiscal data.

The process of budget making is still not participatory. The majority of citizens are not allowed any role in the budget cycle from the period of formulation to evaluation. The consequence of this practice of citizen's alienation is that the budget does not truly reflect the development priorities and aspirations of the people. However, this trend seems to be changing with the coming of the Bayelsa State Expenditure and Income Transparency Initiative, BEITI, and civil society's participation in it.

2009 BUDGET

This analysis by the NDCBP is focused on the education and health sectors of Bayelsa State. The purpose is to examine the state government's relative prioritization of these sectors to see how they measure to national and international stipulations for development as well as the state government's own policy statements.

The policy direction of the state as revealed in the BYSSDS document is summarized in the three strategic orientations above and pursuant to;

- *Conflict reduction and Sustained Peace.*
 - *Improved Individual and Community Health.*
 - *Rural Stability.*
 - *Increased Economic activity and associated increase in household income.*
 - *Increased level of education achievement and higher skills relevant to current and near term employment opportunities in Bayelsa State; and*
 - *Creation of medium and long term employment opportunities.*

In 2007, Bayelsa State projected an income of ₦164,493,959,283 (one hundred and sixty four billion, four hundred and ninety three million, nine hundred and fifty nine thousand two hundred and eighty three naira). In 2008, the projection was ₦185,440,247,582 (one hundred and eighty five billion, four hundred and forty million, two hundred and forty seven thousand, five hundred and eighty two naira). In 2009, the government projected an income of ₦160,889,327,049 (one hundred and sixty billion, eight hundred and eighty nine million, three hundred and twenty seven thousand, forty seven naira). Looking at the revenue projections, it will be noticed that between 2007 and 2008, there was a 5% growth. This was because of the oil boom of 2007 and the releases from the Excess Crude Account in 2008. Between 2008 and 2009, when the price of crude in the international market dropped and Nigeria's ability to produce at capacity was compromised by internal ferment, there was a nominal growth rate of only 1%. In real terms however, when an annual inflation rate of 14% is factored in, there is a negative growth. To put this fact in simple terms, it means that when the Bayelsa State government suspects it is going to get more money, due to windfalls, it simply budgets more to spend, when its prospects for higher revenue declines, it budgets less. This phenomenon means that the state is fully dependent on oil revenue and all the attendant volatility. Continuing with this trend will negate the state's ability to plan in the long term. In fact, should the international oil market collapse, Bayelsa State may have to collapse with it.

Another danger in this trend is that in actual terms, the Bayelsa state government is spending less on its citizens each year. This is because its ability to meet the enormous development challenges facing the state is deeply hampered by its total reliance on revenue originating from oil. This is so because internally generated revenue is relegated, it is impossible for the state government to plan for the future as it has no idea or control over what its revenue will be in the coming year or even the coming month. This raises questions as to the reliability and feasibility of the BYSSDS as a long term plan.

It is also significant to note the evolution of recurrent expenditure in the state. In the three years under consideration, there is a significant flow of revenue going into the service of recurrent expenditure. In the 2009 budget, recurrent expenditure takes 45% of the entire budget. Due to the unavailability of requisite data to show staff strength and breakdown of the wage bill, as well as data on other recurrent services, it is difficult to understand exactly why this is the case. The fact however is that the size of the recurrent expenditure has increased significantly compared to other years and is competing with the capital vote. By all standards, this is absurd. Perhaps it is due to this fact that the Due Process Office in Bayelsa State has began a commendable system of registration and digital identification of all civil servants in the state in order to check the tide of 'ghost workers' that unnecessarily swells the wage bill of the state.

2009 Budget Share



The education sector was allocated N11,456,127,479 (eleven billion, four hundred and fifty six million, one hundred and twenty seven thousand, four hundred and seventy nine naira). Compared with the 2008 figure, which was N10,159,807,513 (ten billion, one hundred and fifty nine million, eight hundred and seven thousand, five hundred and thirteen naira). There seems to be an increase of N1,296,319,966 (one billion, two hundred and ninety six million, three hundred and nineteen thousand, nine hundred and sixty six naira), but when inflation is factored in at 14%, there is instead a reduced spending on education. The allocation to education represents just 7% of the total budget. Given the fact that Bayelsa State is considered one of the educationally disadvantaged states in Nigeria, requiring more educational attention than other states, an allocation of this percentage does not adequately address the yawning educational gap in the state, neither does it do service to the state's SEEDS programme which hinges one of its mission on the educational development of citizens of the state. With only 7% of the total budget going to education, it is realistic to say that the state's educational objectives cannot be achieved if the trend continues. In comparison to UNICEF recommendation that call for 26% of the total budget to be given to education, the Bayelsa case is far from adequate.

Ministry of Health Bayelsa State

Mission

Taking qualitative health care to the doorstep of every citizen and inhabitant of Bayelsa State and making the State the hub of excellent medical services thereby also promoting health tourism.

Goals

- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria and other diseases
- Achieve universal social health care insurance
- Achieve State-wide Medical Emergency Services coverage
- Improve Private-Public Partnership in health care delivery
- Encourage Medical tourism by establishing a centre of medical excellence in the state.
- Achieve local production of drugs and medical consumables
- Promote training of health care personnel
- Promote effective and efficient primary health care thereby enhancing accessibility of medical care in the rural areas

The above mission statement captures the policy of the Bayelsa State government in the area of health.

In the Health sector, the state recorded a massive reduction in allocation. N4,323,565,120 (four billion, three hundred and twenty three million, five hundred and sixty five thousand, one hundred and twenty naira) was allocated to the health sector in 2009, which is 2.69% of the total budget. Compared to the 2008 allocation which was N9,847,500,000 (Nine billion, eight hundred and forty seven million, five hundred thousand naira), there has been a reduction of N5,523,934,880. This drastic drop in allocation to the sector calls to question the state government's interest in the physical well being of its citizens. From its mission statement in the health sector, which proposes to make Bayelsa State "the hub of excellent medical services", the sharp decline in allocation can only be described as either a loss of interest by the government or a policy reversal. In any case, such poor consideration for health, despite Bayelsa state's known health gaps, must be seen as a dangerous trend that could have dire consequences on the capacity of the state's productive force, and the citizen's mortality rate.

Conclusion and Recommendations

While Bayelsa State should be commended for its rare show of openness in the treatment of the budget document, and increasing drive towards internally generated revenue, which marks a gradual shift from absolute dependence on oil based federal transfers, a lot still needs to be done. Citizens are still not part of the budget process, priority is still not placed on the key sectors, and there is still a dislocation between policy statements and actual expenditure.

Recommendations

On budget Making

- *Citizens should be part of the entire budget cycle, from formulation to evaluation. It is only by this that the budget can be a truly people's document.*
- *Budgets should be strictly adhered to in implementation*

On the State's Revenue Base

- *Alternative sources of revenue (especially internally generated revenue) should be seriously explored.*
- *The culture of saving should be developed as against budgeting all that is earned.*

On the Key Sectors

- *Government should back its policy thrust with equal funding*
- *The Health and education sector should be closely administered to reverse the negative trends that have been noted.*

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