

RESEARCH ISSUE Brief

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Scrutinizing the Capital Allocation to the Federal Ministry of Finance in the 2018 Appropriation Bill

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I. Introduction

1. The Economic Recovery and Growth Plan (ERGP) articulates the Nigeria's vision for the period-2020, and lays the foundation for long term growth. Among other things, it also articulates the strategy for aligning fiscal, monetary and trade policies. The Federal Ministry of Finance plays an important role in fashioning and implementing the nation's fiscal policy. As such, examining the capital projects proposed for this Ministry in the annual budget of the Federal Government will provide some level of assessment of the ministry's preparedness to drive the nation's fiscal policy.
2. Of the ₦2,427,665,113,221 proposed in the 2018 Appropriation Bill for capital expenditure, ₦2,965,210,224 (i.e. 0.12%) is projected as capital spending to the Federal Ministry of Finance. This is against the sum of ₦5,181,348,624 provided in the 2017 Appropriation Act for the ministry which constitutes 0.24% of the gross capital allocation of ₦2,177,866,775,867.

3. The specific allocation to capital projects in the Federal Ministry of Finance (FMF) headquarters (HQTRS) in 2018 is ₦978,189,229 compared to the sum of ₦780,480,429 in 2017. This represents an increase of 25.33%. This brief examines the capital projects proposed for the Federal Ministry of Finance in 2018 vis-à-vis the projects for the Ministry in the 2017 Appropriation Act. It draws implication for the scrutiny of the 2018 proposals by examining the implementation of the 2017 capital budget of the FMF.

II. Observations/ Recommendations

4. The proposed structure of capital spending in the Federal Ministry of Finance in 2018 is not different from the items appropriated for in 2017 (*see Table 1*). The focus in 2016 was on investment in workflow automation and purchase of security equipment, but in 2017 changed to purchase of vehicles, office furniture/ fittings and purchase of computers.

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5. Purchase of Computers was allotted ₦98,935,949, while Purchase of Computer Printers was allotted ₦30,000,000. Similarly, the sum of ₦130,000,000 was apportioned for Computer software acquisition. It is

of deep concern that these sums will be expended for computer related items. That another sum of ₦28,000,000 is proposed for renewal of anti-virus subscription/IT consulting further raises concerns.

Table 1: Capital Expenditure Outlay to Federal Ministry of Finance (FMF) Headquarter (Abuja): 2017 Appropriation Act vs 2018 Appropriation Bill

S/N	Capital Projects in the 2017 Appropriation Act	Amount (₦)	S/N	Capital Projects in the Proposed 2018 Budget	Amount (₦)
1	Office Furniture and Fittings	106,711,000	1	Purchase of Office Furniture & Fittings	53,355,500
2	Annual Report of the Federal Ministry of Finance 2016	5,000,000	2	Purchase of Computers	98,935,949
3	Establishment/ Equipment of an Econometric Laboratory in Macroeconomic Division of ERP Department	20,000,000	3	Purchase of Computer Printers	30,000,000
4	Research on Removal of Fuel Subsidy: Impact and Implication for the Nigerian Economy	10,000,000	4	Purchase of motor vehicles	80,000,000
5	Research on Improving and Diversifying Revenue Collections	10,000,000	5	Library Automation	5,000,000
6	Renewal of Antivirus Programme	0	6	Computer software acquisition	130,000,000
7	Monitoring of Funds Disbursed to State Government e.g. Salary Bailouts and Infrastructural Loans	10,000,000	7	Rehabilitation of phase 1 & 2 buildings	100,000,000
8	Software maintenance	0	8	Perimeter fence around FMF-HQTRS	20,000,000
9	Monitoring of Funds Disbursed to state governments e.g. salary bailouts and infrastructural loan	10,000,000	9	Statistical survey on impact of fiscal policies on manufacturing sector	20,000,000
10	Software maintenance	0	10	The non-oil sector as sustainable alternative	15,000,000
11	Workflow automation (Asset Maintenance, Consultancy & MGT Design)	140,000,000	11	Installation of functional strategic information management system	200,000,000
12	Monitoring and Evaluation	15,000,000	12	Renewal of anti-virus subscription/ IT Consulting	28,000,000
13	Construction/ Provision of Electricity (AVR)	30,886,480	13	Macroeconomic stability and fiscal policy management buffer for oil price and revenue	10,000,000

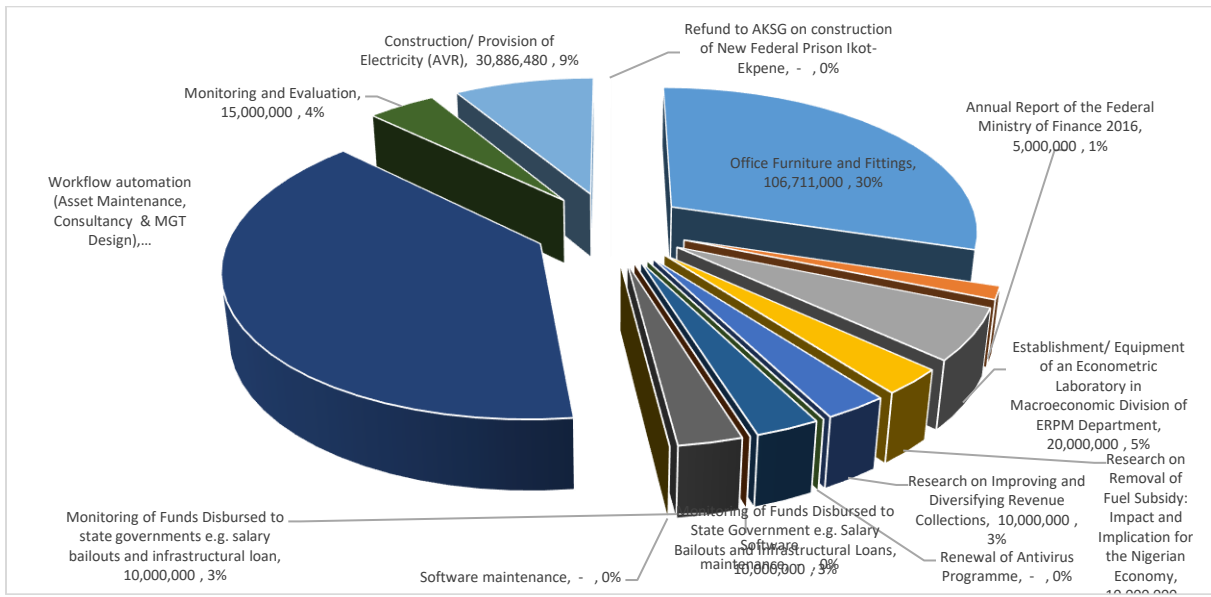
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14	Refund to AKSG on construction of New Federal Prison Ikot-Ekpene	3,200,000,000	14	Budget monitoring and implementation of approved appropriation act under FMF 2018	15,116,980
15	Monitoring of Export Pre-shipment Inspection Activities in the Country	2,000,000	15	IER monitoring of WB, AFD, IDB, & AFD assisted project across the country	20,000,000
16	Quarterly Performance Report on the Economy	5,000,000	16	Procurement compliance monitoring	10,000,000
17	Purchase of Computer Consumables	98,935,949	17	Monitoring exercises of NCS activities on the nations imports	10,000,000
18	Physical Inspection of Books and Scrutiny of Submitted Reports	12,000,000	18	Monitoring and evaluation all FEC approved projects and programmes of FMF	10,000,000
19	Visits to Inspection Sites in the Country	16,000,000	19	Reform communications	30,000,000
20	Purchase of Motor Vehicles	158,125,000	20	FMF outstanding liability on provision of unified communication solution	30,000,000
21	Rehabilitation of Phase 1	50,000,000	21	Upgrading of the econometric lab in macro division	20,000,000
22	Phase 2 Building	55,750,000	22	SDGs domestically generated resources	22,780,800
23	Installation Perimeter fencing Phase 3	40,000,000	23	Purchase of photocopying machines	20,000,000
	Total	780,480,429 (less 3,200,000,000 item 14)			978,189,229

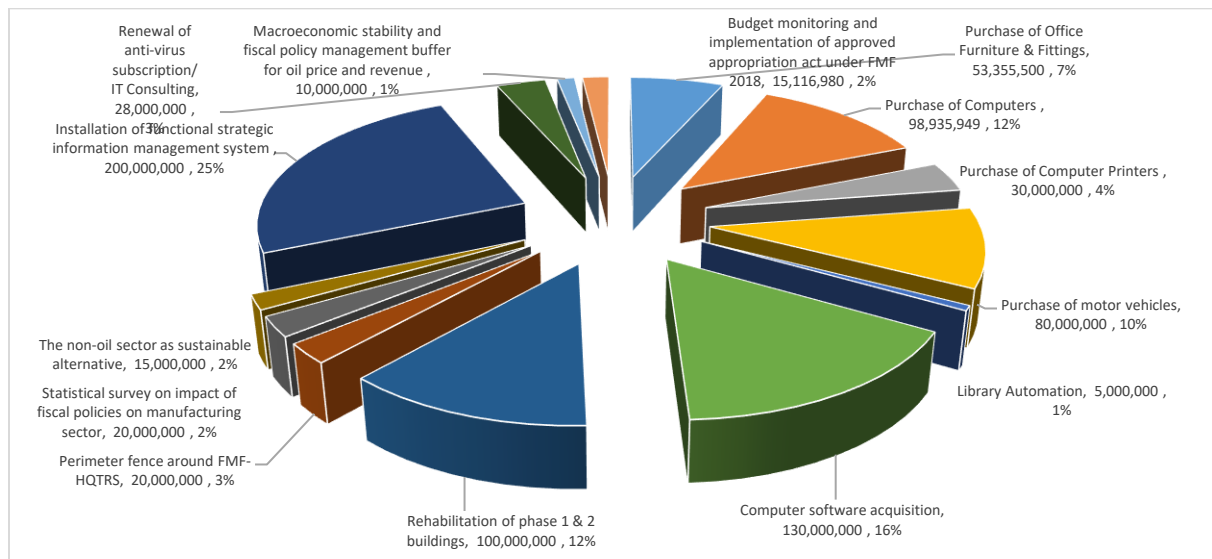
Source: 2017 Appropriation Act and 2018 Appropriation Bill

Figure 1: Distribution of Capital Projects in the 2017 FGN Appropriation Act



Source: 2017 Appropriation Act

Figure 2: Distribution of Capital Projects in the 2018 FGN Appropriation Bill



Source: 2017 Appropriation Act

6. The priority capital projects of the FMF (HQTRS) in 2018 are:

- installation of functional strategic information management system (25% of the budget),
- Computer software acquisition (16% of the budget),
- rehabilitation of phase 1 & 2 buildings (12% of the budget),
- purchase of computers (12% of the budget),
- purchase of motor vehicles (10% of the budget), and
- purchase of office furniture & fittings (7% of the budget)

- Construction of electricity (AVR) (9% of the budget)
- Establishment/ Equipment of an Econometric Laboratory in Macroeconomic Division of ERPM Department (5% of the budget)
- Monitoring and evaluation (4% of the budget)

7. The major items in the 2017 budget for the FMF (HQTRS) are ICT/ computer related and the purchase of office furniture & fittings. This structure did not change in the 2018 proposed capital projects. It is hardly convincing that these items are purchased on a yearly basis. There is need for consistent follow up audit report on what informs this pattern of budgeting in the FMF (HQTRS).

The priority capital projects of the FMF (HQTRS) in 2017 are:

- Workflow automation (Asset Maintenance, Consultancy & MGT Design (39% of the budget)
- Office furniture and fittings (30% of the budget)

8. The specific allocation to capital projects in the FMF in 2018 is ₦978,189,229 compared to the sum

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of N780,480,429 in 2017. This represents an increase of 25.33%. A significant proportion of this amount will be spent on items that dominated the expenditure chart in 2017. Nevertheless the capital budget implementation for 2017 was 4.5%. As such, there is some level of justification to roll over pending projects.

The views expressed in this Research Issue Brief are those of the author(s) and do not necessarily represent the views of the Institute and its Management.

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