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Coherence of SEEDS, Policy Briefs and Budget Process

by

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Acronyms/Abbreviations

BEAM	Budget Evaluation and Monitoring Committee
DFID	Department for International Development
EFCC	Economic and Financial Crimes Commission
ESUT	Enugu State University of Science and Technology
EXCO	Executive Committee
LEEDS	Local Governments Economic Empowerment Development Strategies
LEEMP	Local Empowerment Environment Management Projects
MDAs	Ministries, Departments and Agencies
MDGs	Millennium Development Goals
MTEF	Medium Term Expenditure Framework
NCCIMA	Enugu State Chamber of Commerce, Industries, Mines and Agriculture
NEEDS	National Economic Empowerment Development Strategy
PIB	Performance Improvement Bureau
PIU	Performance Improvement Unit
SEEDS	State Economic Empowerment Development Strategy
SLGP	State and Local Government Programme
SMEs	Small and Medium Scale Enterprises
SSPB	State Sectoral Policy Briefs
SUBEB	State Universal Basis Education Board

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1.0 SUMMARY

Enugu State produced its State Economic Empowerment and Development Strategy (SEEDS) document, a State Sectoral Policy Brief document and two (out of eight) Sectoral Strategic Plans between 2004 and 2006. The three documents have linkages with National Economic Empowerment and Development Strategy (NEEDS). References were also made to the Millennium Development Goals.

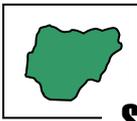
In line with the objectives of this study, this report presents the findings from examining the degree of coherence between Enugu SEEDS, SSPB and the Enugu State budget process and recommends steps for strengthening the coherence.

The process used was through consultations with Commissioners and public managers of key Ministries, Departments and Agencies and through references to a range of materials provided by SLGP and the public managers (Appendix 6). The consultant met with SLGP during the course of the assignment to report on progress.

Policy and Policy Process: Enugu SEEDS is complementary to NEEDS and is anchored on MDGs. With a high poor population of 60%, Enugu SEEDS' policy thrust is on poverty reduction¹. There was broad stakeholder participation, but the SEEDS document does not mention specific representations. The targets and strategies are cross sectoral but have some weaknesses. For example, “*increase secondary school retention rate, especially for girls*”; and “*improve satisfaction levels for the quality of education at all levels*” are neither specific, measurable, achievable, realistic, nor time-bound (SMART), while targets on health and HIV/AIDS issues were not based on current data. Moreover, there is a need to assess the cost of and prioritise outlined policy targets and strategies against realistic budget limitations in order to select and focus on those that are feasible within available resources. There are clear relationships between the three documents as the policy briefs and the sectoral strategies use SEEDS as their bases and draw from the recurring themes in the SEEDS sectoral targets. All three documents have clear focus on MDGs and gender issues are addressed where appropriate.

Budget Process and Resource Allocation: The budget process adopted for 2007 budget was a departure from the normal practice. It was based on the use of the newly developed Charts of Accounts. This introduced *pre-determined budget ceilings*, activity-based budgeting and the medium term expenditure framework (MTEF) to the State's budget process. Commentators stated that the 2007 budget is being driven by the priorities in SEEDS, although we were not able to confirm this. In view of the fact that most of the SEEDS targets and strategies were cross sectoral, there was a need to unpack them and take out specific sectoral strategies for budgeting purposes.

¹ The policy objectives are derived from the 2003 UNDP Human Development Report on how to break out of the poverty cycle, and the SEEDS targets (referred to as *strategic objectives*) draw directly from the policies.

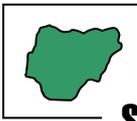


The highest budget ceiling reflecting EXCO's priorities was given to the Ministry of Works and Transport (11%). The Ministry of Lands & Housing, which was not a SEEDS or SSPB priority area, received 6.7%. The share of capital allocations in the 2006 budget shows that the highest allocation of 18.36% went to General Administration (16.5%) and Legislature (1.86%); 17.03% for Education; 14.5% for health; 10% for roads; and 4.17% for water supply. These show clearly the priority intents of the State which chooses to spend four and a half times on General Administration and Legislature relative to water supply. Moreover, agriculture, which has rural and urban occupational distributions of 70% and 11% respectively, was allocated budgets of 2.2%, 1.4% and 2.2% in 2004, 2005 and 2006 respectively and there were no releases in those years.

% of Capital Budgets to total Budgets – Comparative Analysis

Sectors	SEEDS	SSPB	2004 %	2005 %	2006 %	2007 %
Agriculture	X	X	2.2	1.4	2.28	
Education	X	X			17.3	10
Health	X	X	9.8	14.8	14.5	5
Industry (SMEs)	X	X				
Environment & Nat Resources	X	X	5.9	0.7	0.57	
Water	X	X	7.6	4.2	4.17	
Rural electricity	X	X	10.1	1.3	1.02	
Rural Roads	X	X	24.7	9.1	10.0	11 (roads)
Economic Development		6, 7, 8				
Financial Management	X	X				
Public Sector reforms	X	X				

The 2004 and 2005 budgets were overestimated, which resulted in cuts in expenditure commitments during implementation as 2004 recurrent expenditure was under-funded by 16 percent. Actual income amounted on average to only 79.5 percent of estimated income. Borrowings were heavy in the same periods although internal borrowings declined to zero in 2005. Commentators advised that budget performance had started improving with the narrowing of gaps between estimates and releases. The share of recurrent expenditure to total budget in the 2004 to 2006 budgets saw a decline (87.1%, 48.8% and 49.7% respectively). This left more money for capital expenditure which is positive for development. However, Enugu State went into big projects such as Ebeano Tunnel Crossing which got 98.9% of releases to urban roads in 2004 and about 450% in 2005. Over 140% above allocation was released to the ESUT project. There were other projects such as the International Conference and the Loma-Linda high rise residential block projects that had no allocations in 2006 but for which the government released substantial funds. It is difficult to see with clarity the economic and technical benefits of some of these big projects in a state where about 60% of the population lives below the poverty line. Clearly these projects are not measures that would have a direct and significant positive impact on poverty levels in the State.



Implementation and Monitoring:

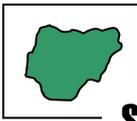
There are few formal mechanisms for public involvement in the monitoring process, for example in the Budget Evaluation and Monitoring Committee (BEAM) at State level and the Local Empowerment Environment Management Projects (LEEMP) at local government level. Membership of both included government and non-government actors (such as, civil society organisations, traditional leaders, community members). BEAM had not reviewed budget performance in over a year at the time of the assignment. It was difficult to establish if LEEMP was discharging its monitoring responsibilities creditably in the communities as the consultant did not visit any of the communities because of time constraints. The Project Monitoring and Implementation Unit and Public Implementation Bureau (PIB) are State Government monitoring and evaluation organisations. However, their level of funding is relatively low, which means that they are unable to carry out their responsibilities efficiently and effectively.

Vertical accountability mechanisms are in place but they are not functioning particularly well. For example, if elected officials in the State House of Assembly and in Local Government Area Councils scrutinised both budgets and accounts to ensure that money is spent effectively, they might have raised questions about the level of allocations to priority policy areas as stated in both SEEDS and SSPB. Another issue that should have caught their attention was the lack of performance (monitoring budget performance) by BEAM.

Recommendations:

The following recommendations are made:

- The State Government should clarify the intention of SEEDS. As it is, it appears to be more of a guide for budgeting.
- The capacities of senior civil servants and politicians should be developed in order to improve their understanding of good policy practices.
- The targets and strategies in SEEDS need to be passed through a sequence of scrutiny against realistic budget ceilings, entailing rationalisation of both activities and strategies until realistic, implementable plans are achieved.
- The State Planning Commission, together with the State Executive Council, should be encouraged to continue the transition to medium term planning and activities-based budgeting. This shift needs to be supported with appropriate technology inputs and training. Pilot sector(s) should be considered.
- The State Government generally should avoid deficit budgeting by keeping expenditure plans within the bounds of realistic revenue projections. Only then can effective decentralisation of budget management by shifting responsibility back to the controlling officers (Permanent Secretaries) be achieved. This would ensure that regular and projected releases are made against the budget plans, and controlling officers are then held accountable to expenditure against plans.



- A public budget monitoring committee should be established and should include government representation, but the majority of members should be drawn from civil society, including the private sector, and other non-government actors. This committee should have access to government expenditure and capital project monitoring records, and should draw on independent field reports about the implementation of building and maintenance works. The committee should monitor and publicise information about progress towards both output and outcome targets.

2.0 INTRODUCTION

The State and Local Government Programme (SLGP) funded by the UK Department for International Development (DFID) is supporting good governance reforms at all levels of government in Enugu and other states in Nigeria. SLGP's objective is to enhance the capacities and competencies of state and local governments in policy formulations, resource management, service delivery, and public expenditure management analysis.

In 2004, Enugu State, with the support of SLGP, developed its State Economic Empowerment and Development Strategy (SEEDS), which was a medium term plan from 2005 to 2007. Most of the targets and strategies in Enugu SEEDS were cross sectoral, making implementation challenging. This led to the development of Enugu State Sectoral Policy Briefs (SSPB) that summarised the policies and targets aligning them to the relevant line ministries. The Sectoral Strategic Plans that were subsequently developed unpacked the cross sectoral targets and harnessed them in specific line ministries for budgeting and implementations purposes. These detailed sectoral activity plans were costed over a medium term expenditure framework of 2006 to 2009. In all three documents, the following key policy areas recurred explicitly or implicitly as the state's priority areas: agriculture; education; financial management; infrastructure (rural electricity, water and roads); and social development (education and health).

It is felt that that there might be a lack of coherence between SEEDS, SSPB and the budget process. A consultant, working with two other PIB² officials, was contracted to carry out a study with the objectives of:

- examining and reporting on the degree of coherence between SEEDS, SSPB and the budget process; and
- recommending steps for strengthening the coherence between sectoral policy briefs, SEEDS and budget planning, development and implementation.

It is noted here that the length (three days) of inputs that the consultant had meant that in some areas it was not possible to follow-up on points of detail or unresolved lines of enquiry.

The structure of the report is as follows: Section 2: the introduction; Section 3: the methodology employed during this assignment; Section 4: the outcomes of the work done; Section 5: conclusion through a review of the objectives of the assignments; and Section 6: recommendations.

² PIB is an internal consulting department of the State Government set up under the Office of the Head of Service. It is the main point of contact between SLGP and the civil service and is being positioned to continue the reform support to the civil service.



3.0 THE PROCESS

The consultant arrived in Enugu on 29th October 2006 and had a briefing session with the SLGP team to discuss the assignment and agree on logistics. The consultant subsequently met with designated PIB staff and the team agreed on the methodology (discussions), the persons to be interviewed (Appendix 2), draft questions that served as guide during the discussions and designed the template used for data collection (Appendix 3).

During the course of the assignment, references were also made to a range of materials, including those provided by SLGP and those gathered from the people interviewed. Please refer to Appendix 6 for a full list.

The consultant met with the SLGP team to report on progress of work to date. A de-briefing session was held on the last day with SLGP team where they discussed the progress and preliminary conclusions of the assignment.

This assignment rests on an understanding of a clear difference between Enugu SEEDS and Sectoral Policy Briefs. Enugu SEEDS compliments the National Economic Empowerment and Development Strategy (NEEDS) and is anchored on the Millennium Development Goals; it is the State's multi-sectoral strategic plan. However, it failed to assign direct responsibilities to particular MDAs. Moreover, the Enugu SEEDS budget is top-down and not activity based. At best, Enugu SEEDS is seen to serve as a guide for subsequent budgeting. In order to properly harness the cross-cutting strategies in Enugu SEEDS to the relevant sectors for budgeting and implementation purposes, MDAs were requested to develop their detailed medium term strategies and cost the specific activities for the period 2006-2009. The MDAs were not given budget ceilings, thus making their strategies and activity plans 'wish lists' at best, although some of the activities in the sectoral strategies were subsequently included in the 2007 budget. The 2007 budget call circular contained pre-determined budget ceilings.

The State Sectoral Policy Briefs booklet is a publication that gives an overview of all the policy thrusts, targets and some strategies of key sectors in Enugu State. It serves as a guide to understanding the overall State sectoral policies and how they fit into the overall SEEDS framework. SSPB also gives an overview of how the policies position the State towards achieving the MDGs. The following key policy areas were identified as priorities: Agriculture; Health; Industry; Education; Women Affairs and Social Development; Environment and Solid Minerals; Economic Development; and Financial Management.

3.1 SEEDS Planning Cycle

A brief discussion of the SEEDS planning cycle will help put this assignment in context. In early 2004, the National Planning Commission issued a summary guidance manual to States who were then embarking upon the process of preparing SEEDS documents. An expanded and revised version was issued and launched in May 2006.

At the heart the manual is a SEEDS planning cycle which sets out the key stages in putting together annual and medium term SEEDS document by State Governments. The cycle is reproduced in a simplified form below.

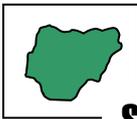
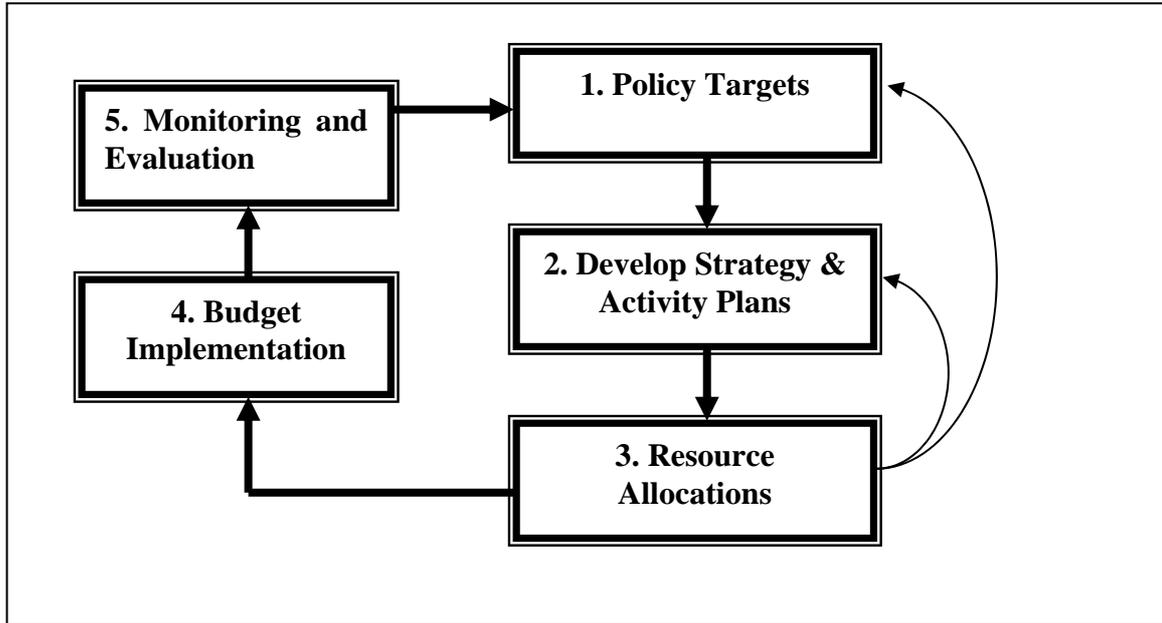


Table 1: Simplified SEEDS Cycle



An important element of the cycle is the feedback loops shown on the right. These are meant to demonstrate the importance of iterating proposals *within pre-determined budgetary ceilings*. This is to ensure that policy strategies and activities plans are *feasible*. This is a key aspect of testing whether there is the capacity and sufficient resources to implement a planned programme. If either is not enough, the programme cannot be completed and targets would be more of a wish list rather than realistic plans of action. Hard choices would have to be made from the priorities and/or targets for implementation.

4.0 OUTCOMES

Policy and Policy Process

Enugu was the first state to produce a poverty reduction strategy, the Enugu SEEDS 2005-2007, in line with the NEEDS and anchored on the MDGs, thereby putting the State on the course towards achieving the MDGs. Enugu's focus is on poverty reduction (MDG 1), education (MDG 2), health (MDGs 4, 5, & 6), and waste management (MDG 7). The SEEDS document mentioned gender issues, but did not provide adequate strategies for addressing these issues.

The underlying objective of the priority policies in Enugu SEEDS is to address inequality and secure basic human rights in the State. Enugu SEEDS was developed through extensive consultations involving all stakeholders (government and non-government actors which included the civil society organisations, private sector, traditional leaders, and faith based organisations). This is because the State Government is convinced that all tiers of government and civil society should be involved in reforms in order to bring about sustainable development in the State. Subsequently, the State government encouraged local governments to develop their respective strategies – Local Economic Empowerment and Development Strategies (LEEDS). The key policy areas in SEEDS as stated in its strategic framework are: a) Industry (investments); b) Basic social services (education and health); c) Agriculture and SMEs (entrepreneurship and self help); d) Environment (sanitation and mineral resources); and e) Infrastructure (roads, water and rural electrification).

Some commentators expressed the opinion that the Enugu SEEDS was intended as a definitive plan. However, the reality is that it is a multi-sectoral strategy containing a series of statements of what is required to achieve the MDGs. Enugu SEEDS does not assign budgetary and implementing responsibilities to MDAs. Furthermore, the SEEDS budget appears to be more of budget envelopes which would be used as guides for future budgeting. These gaps imply that proper costing of activities and budgets would follow.

The development of Enugu SEEDS policy has some weaknesses. For example, statements such as, “*increase secondary school retention rate, especially for girls*”; “*improve performance of Enugu State students in external examinations at primary and secondary levels*”; and “*improve satisfaction levels for the quality of education at all levels*” are neither specific, measurable, achievable, realistic, nor time-bound (SMART). It is not clear if a lack of understanding is the major constraint to producing better policies in Enugu State, but it might be necessary to develop the capacities of both senior public managers and politicians in order to improve their understanding of good policy drafting and practises.

Eight key priority sectors have developed their respective strategies and fully costed activity plans for 2006-2009, using the medium term expenditure framework (MTEF). The eight MDAs are: Ministries of Agriculture; Health; Education; Women Affairs and Social Development; Environment and Solid Minerals; Economic Development; and Commerce and Industries. Financial Management was also included as a key reform area and a fiscal policy was developed. Ideally, this approach would have addressed some of the gaps in Enugu SEEDS, for example, failure to assign clear budget responsibilities to MDAs. Unfortunately, the MDAs were not given pre-determined budget ceilings and this places limitations on the usefulness of their sectoral strategies and activity plans.

There are clear relationships between the three documents as the policy briefs and the sectoral strategies use SEEDS as their bases and draw from the recurring themes in the SEEDS sectoral targets. Gender issues are addressed where appropriate in the documents and most policies are geared towards achieving the MDGs. However, despite Enugu State’s achievements in developing key sectoral policies, the effort has not translated to a commitment to drive through the implementation of the diverse reforms contained in the various policy documents produced. It is therefore necessary to examine to what extent, if any, these documents feed into the Enugu State budgets process.

Budget Process and Resource Allocations

Budgets in Enugu State were, until 2007, prepared on an annual, rather than a rolling or medium term basis with the Ministry of Finance issuing ‘call budget circulars’ which require each MDA to prepare its proposed budget for the following year. The circulars neither made specific reference to policy targets nor gave pre-determined budget ceilings that would have ensured the feasibility of policy strategies and activities plans. The result is that MDAs submit incremental budgets annually. Some of the reasons why the MDAs submit incremental budgets include:

- Most accounts staff and senior managers involved in budget preparation are not familiar with programme or activities-based budgeting principles; and
- Actual budget releases during implementation do not normally reflect budget allocations. This makes the budget itself of marginal relevance and as a result little effort is put into budget preparation.

The call budget circulars before 2006 were usually issued in mid-July, allowing sufficient time for the development and submission of reasonable estimates.

The 2006 call circular, however, referred to the Enugu SEEDS document as a guide for budgeting. It is important to test whether there is sufficient capacity and resources to implement a planned programme. If either is not enough, the programme cannot be completed and the state would have to make some hard decisions on prioritising policy areas. The key policies and plans contained in Enugu SEEDS have not yet been passed through this process. Therefore, the implementation of the big projects (for example, the Ebeano tunnel, the ESUT, the Park Lane teaching hospital, the international conference centre), placed considerable constraints upon the feasibility of plans that derive from Enugu SEEDS.

The budget process adopted for the 2007 budget year was a departure from the normal practice. The call circular was issued on 17th August 2006 as opposed to the traditional July. The delay was to accommodate a workshop to ensure buy-in of government stakeholders to the newly developed Charts of Accounts, and to train the users of the Charts of Accounts. The Charts introduced pre-determined budget ceilings, activity-based budgeting and the medium term expenditure framework (MTEF) to Enugu State budget process. MTEF is essential especially if complex development programmes are to be effectively implemented.

During the presentation of the budget timetable to EXCO, the Chairman of the Budget Committee (Commissioner for Finance) recalled and reviewed the priority policy areas stated in Enugu SEEDS to ensure that they remained aligned to EXCO's priority areas. Commentators stated that the 2007 budget is being driven by the priorities in SEEDS, although we were not able to confirm this.

While the MDAs prepared their budgets, the State Planning Commission (responsible for capital budgets) and the Budget Committee had extensive consultations with the various stakeholders (including civil society organisations, civil servants, workers groups, local government chairmen, traditional leaders). From the list of ceilings advised MDAs (see Table 2), we observed that the five highest ceilings for capital expenditures (excluding General Administration) are as follows:

Table 2: List of MDAs with highest Expenditure Ceilings

	Name of MDA	Recurrent Nm	Capital Nm	Total Nm	% capital -total	% Capital-budget
1	Ministry of Works and Transport	420.00	3,300.00	3,720.00	88.7	11
2	Ministry of Education	1,100.00	3,000.00	4,100.00	73.2	10
3	Ministry of Lands and Housing	100.00	2,000.00	2,100.00	95.2	6.7
4	Ministry of Health	460.00	1,500.00	1,960.00	76.5	5
5	Ministry of Human Dev & Poverty Alleviation	20.00	1,000.00	1,020.00	98.0	3.4

Public sector reforms and public financial management which were identified as priority areas in Enugu SEEDS did not attract high budget ceilings. Lands and housing which was not stated as a priority policy area in SEEDS and SSPB had the third highest capital expenditure to total capital of 6.7%.

Despite the fact that ceilings were advised, some MDAs still budgeted above their ceilings. Most of these were resolved during the bilateral discussions.

An examination of historical budgets suggests that the amounts of money available have been heavily over-estimated in the 2004 and 2005 budgets. Over the same years the amount of actual income amounted on average to only 79.5 percent of estimated income (see Appendix 4). There were heavy borrowings (internal borrowings of N1,520 billion and external of N3,500 billion) in 2004. Internal borrowings were, however, reduced to zero in 2005 and have remained so. External borrowings were reduced from N3,500 billion in 2004 to N859.87 million in 2005 and then increased to N997.20 million in 2006. Because budget revenues are over-estimated, cuts were made in expenditure commitments during implementation. For example, 2004 recurrent (mainly personnel) expenditure was under-funded by 16 percent. About 90.7 percent (N14,946.18 billion) of the 2005 capital budget of N16,471.20 billion had been spent between January and October of 2005. Budget releases were not in line with budget allocations. For example, there were no releases to agriculture in 2004 and 2005 despite the fact that N216.25 million and N223.60 million were budgeted and agriculture was identified as a priority sector in SEEDS and Sectoral Policy Briefs. It therefore means that at a simple level, departments cannot count on the amounts budgeted either for overheads or for capital programmes. This makes the planning of implementation generally dysfunctional and haphazard.

Commentators were of the view that budget performance had started improving with the narrowing of gaps between estimates and actuals. However, the budget figures for 2004 and 2005 do not confirm this. For selected sectors (see Appendix 4), 2004 budget performance was 84 percent (releases of N7,385.34 billion against estimates of N8,749.43 billion) while in the period January to October 2005, budget performance was about 65 percent (actual releases of N8,281.34 billion against estimates of N12,734.27 billion). We were not able to obtain any releases for 2006 from the Office of the Accountant General because the capital vote books were taken away by EFCC for investigations.

The share of recurrent expenditure to total budget in the 2004 to 2006 budgets saw a decline. It was 87.1 percent in 2004, 48.8 percent in 2005 and 49.7 percent in 2006. This left more money for capital expenditure, which is positive for development for Enugu State.

The share of capital allocations in the 2006 budget shows that the highest allocation of 18.3 percent went to General Administration (16.5 percent) and Legislature (1.86 percent); 17.03 percent for Education; 14.5 percent for Health; 10 percent for Roads; and 4.17 percent for Water Supply. These numbers show clearly the priority intents of the government (in contrast to SEEDS) which chooses to spend four and a half times on General Administration and Legislature relative to water supply. Moreover, agriculture which has rural and urban occupational distributions of 70% and 11% respectively was allocated budgets of 2.2 percent, 1.4 percent and 2.2 percent in 2004, 2005 and 2006 respectively. Despite the low allocations to agriculture there were no releases between 2003 and 2005, and the N30 million released in 2006 was specifically for the relocation and construction of the new Market Garden.

Table 3 shows a comparative analysis of 2004 to 2006 budgets.

Table 3: Coherence between SEEDS, SSPB and Budgets

		SEEDS	SSPB	SSB	2004	2005	2006
					% budget	% Budget	% budget
1	Agriculture	X	X		2.2	1.4	2.,28
2	Education	X	X				17.3
3	Health	X	X		9.8	14.8	14.5
4	Industry (SMEs)	X	X				
5	Environment & Nat Resources	X	X		5.9	0.7	0.57
6	Water	X	X		7.6	4.2	4.17
7	Rural electricity	X	X		10.1	1.3	1.02
8	Rural Roads	X	X		24.7	9.1	10.0
9	Economic Development		6, 7, 8				
10	Financial Management	X	X				
11	Public Sector reforms	X	X				

Almost 98.9 percent of the N1,438.27 billion released for urban roads in 2004 was spent on Ebeano Tunnel Crossing. In 2005, around 450 percent of the amount allocated to urban roads (estimated at N540 million) was spent on the same tunnel. Furthermore, in 2004 about 35 percent of the N2.4 billion budgeted for rural roads was spent on the access road to Enugu State University of Science and Technology (ESUT project) permanent site. Although N3,219.20 billion was allocated for education in 2005, over 140 percent (N4, 136.80 billion) was released to the ESUT project, while another N2,943.7 billion (on allocations of N1, 840 billion) was released for the ESUT Teaching Hospital and College of Medicine projects. There were other projects, such as the International Conference and the Loma-Linda high rise residential block projects, that had no allocations in 2006 but for which the government released funds. Moreover, neither SEEDS nor SSPB specified housing as a priority policy area. It is difficult to see with clarity the economic and technical benefits of some of these big projects in a state where about 60 percent of the population lives below poverty line. Clearly these projects are not measures that would have a direct and significant impact on poverty levels in the State.

Given that SEEDS was published in August 2004, it was not possible to use SEEDS as the basis for the 2005 budget, but some efforts were made to ensure that SEEDS was used as a guide for the 2006 budget. There were, however, still some gaps. For example, 2006 budget was not activity-based and is not a medium plan. These gaps led to the financial management reforms of 2006, which introduced the use of pre-determined budget ceilings, Charts of Accounts and MTEF to budget process. It has been suggested that SEEDS policy targets and the various detailed sectoral strategies and activity plans definitely form the basis for the 2007 budget. We were not able to confirm this as the budget process was still in progress at the time of the field work.

Implementation and Monitoring

It was not possible to confirm from interviewees that state accounts were properly kept in Enugu State. It was also difficult to get actual budget releases for 2005 from the Ministry of Finance. The explanation proffered for the inability to provide actual releases for 2005 and 2006 was that the EFCC, as part of their on-going investigations, took the capital vote books which have the 1999 to 2006 final accounts. Audited accounts for 2005 had not been sent to the Public Accounts Committee (PAC) of the House of Assembly for scrutiny as at the time of our field work in October 2006. Since the accounts were not up-to-date, it is clear that they could not have been used for management purposes.

There are few formal mechanisms for public involvement in the monitoring process for example in BEAM and LEEMP.

The BEAM Committee, chaired by the Commissioner for Finance and co-chaired by the Economic Adviser, is charged with the responsibility of carrying out *quarterly reviews* of budget performance. The 12-man BEAM Committee includes the public sector and two members from the civil society. BEAM reports directly to the Governor. BEAM has had difficulties carrying out its monitoring and evaluation responsibilities and has had only one meeting (October 2006) in the last 12 months. This meeting was not an evaluation or budget review meeting, and the report of the meeting had not been sent to the Governor as at the time of our field work. BEAM was preparing for its half year budget review meeting at the time of our field work.

Local Empowerment Environment Management Projects (LEEMP) was set up by the government to monitor rural communities' projects. Members were drawn from the local governments, community-based civil society organisations and other non-governmental actors. We were not able to visit any of the local governments to confirm if LEEMP was carrying out its responsibilities as it should.

The Project Monitoring and Implementation Unit is also charged with the monitoring and evaluation responsibilities. So also is the PIB, which was recently set up under the Office of the Head of Service. Amongst its other responsibilities, PIB is responsible for facilitating and driving civil service reforms, setting standards, monitoring work plans and projects, evaluating service charters and receiving complaints from the public. However, their level of funding is relatively low which means that they are unable to carry out their responsibilities efficiently and effectively.

Each implementing MDA has professional and specialised monitoring teams. For example, the Ministry of Works monitoring team would include engineers while the Ministry of Education and State Universal Basic Education Board (SUBEB) would include inspectors and evaluators who would monitor activities of schools and teaching. We were not able to establish if their monitoring reports receive much attention.

There are also mechanisms in place to allow for vertical accountability, but again they are not functioning particularly well. For example, elected officials in the State House of Assembly, and in Local Government Area Councils, should be scrutinising both budgets and accounts to ensure that money is spent effectively. It could be conjectured that if they were doing this effectively then questions might be raised about the level of allocations to priority policy areas (e.g. the zero releases to agriculture which was stated in both SEEDS and SSPB as a priority policy area). Another issue that should have caught their attention was the lack of performance (monitoring budget performance) by BEAM.

5.0 CONCLUSION AND SYNTHESIS

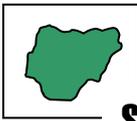
In summary, we were able to see clear linkages between the SEEDS, State Sectoral Policy Briefs, State Sectoral Strategies and LEEDS as all the policy documents use SEEDS as their bases and draw from the recurring themes in the SEEDS sectoral targets. Enugu SEEDS complements NEEDS. All policy documents have a clear focus on the State achieving the MDGs. Gender issues are addressed in the policies where deemed necessary. There is, however, a disconnect at the budget level. Budget submissions were not based on activities in the various policy documents and releases have not been aimed at achieving the targets, strategies and activities stated in the various policy documents. It therefore means that the State Government's policy priorities are different from the peoples' priorities as documented in the various policy documents. It appears budget performance will improve with the 2007 budget which introduced the use of Charts of Accounts (economic classifications only), and therefore activity-based in a medium term expenditure framework.

The team reviewed the consultancy objectives as contained in the ToR against the assignment. The team was, however, not able to meet with the political class who were understandably involved in politics against the coming 2007 elections. Unfortunately, we did not have access to the State's final accounts for 2005, or the releases for 2006. Despite these and time constraints (three day assignment), the team met the stated objectives and the deliverables.

6.0 NEXT STEPS

Our recommendations are as follows:

- The State Government should clarify the intention of SEEDS and the Sectoral Policy Briefs – are they statements of what would be required to achieve MDGs?
- There should be capacity building and training of senior civil servants and politicians to improve their understanding of good policy practices.
- The detailed activity plans need to be passed through a sequence of scrutiny against realistic budget ceilings, entailing rationalisation of both activities and strategies until realistic implementation plans are achieved.
- The SPC and EXCO should be encouraged to continue the transition to medium term planning and activities-based budgeting. This shift should be supported with appropriate technology inputs and training. Pilot sector(s) should be considered.
- The State Government generally needs to desist from deficit budgeting by keeping expenditure plans within the bounds of realistic revenue projections. When this has been achieved, it needs to move towards an effective decentralisation of budget management and shift responsibility back to the controlling officers (Permanent Secretaries) in such a manner that regular and projected releases are made against the budget plans, and controlling officers are then held accountable for expenditure against these plans.
- A public budget monitoring committee should be established, with majority of members drawn from civil society, including the private sector, and other non-government actors. This committee should have access to government



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expenditure and capital project monitoring records, and should draw on independent field reports about the implementation of building and maintenance works. The committee should monitor and publicise information about progress towards both output and outcome targets.

Annex 1

Terms of Reference

Coherence of SEEDS, Policy Briefs and Budget Process (PIB Linked Activities Work-package 1)

Introduction

The State and Local Government Programme (SLGP) of the UK Department for International Development (DFID) is committed to supporting reform and good governance at all levels of government. Specifically, SLGP is working in four focal States with the aim of enhancing the capacity and competence of state and local governments to formulate policies, manage resources and support service delivery in the interest of poor people.

One of the key components of SLGP's support to improve the functioning of States and LGAs is to assist with an analysis of public expenditure management processes and systems, and of the resulting allocation, disbursement and effectiveness of expenditure management.

Background

Through the support of SLGP, Enugu State Government has developed a State Economic Empowerment and Development Strategy (SEEDS), which provides a development guide for Enugu State Government from 2005 to 2009. SLGP has also supported the State Government to develop sectoral strategies in Agriculture; Education; Finance; and Social Development. These sectoral strategies are used to describe how the SEEDS Policy Targets will be achieved, and the activities and budgets required.

A Performance Improvement Unit (PIU) has been established under the office of the Head of Service to act as an internal consulting department, facilitating the development of service standards, publishing these standards in the form of charters, and auditing government performance. The PIU will also provide assistance to those ministries and agencies that encounter problems in achieving their targets. The PIU provides a main point of contact between SLGP and the civil service, and is being positioned to continue to support reform beyond the lifetime of SLGP.

Recent impact assessment indicates that despite the production and publication of SEEDS and Policy Briefs, there is still a disconnect between SEEDS priorities and resource allocation. SLGP now seeks to provide additional support in order to ensure that there is consistency between SEEDS, policies and the budget development process.

Objective

The main objective of the proposed input is to develop recommendations on how to strengthen coherence between sectoral policy briefs, SEEDS and budget planning, development and implementation.

Activities

Throughout this assignment, the consultant will work in collaboration with one or more members of the Performance Improvement Bureau. This group will hereafter be referred to as the 'consultancy team'.



- The consultancy team should familiarise themselves with the State Economic Empowerment and Development Strategy (SEEDS), the published Policy Briefs and the current process of budget planning, development and implementation.
- The consultancy team should develop a systematic approach to identify the degree of coherence between the published Policy Briefs and the process of budget planning, development and implementation.
- The consultancy team should draft a short report summarising their findings and making clear recommendations with regard to the steps necessary to improve coherence between the Policy Briefs and the process of budget planning, development and implementation.

Deliverable

A short report (no longer than 10 pages) which fully addresses the issue identified in iii) above.

Inputs & Timing

Inputs will involve one National or Local consultant with expert knowledge of Policy Development. The timing of this input will be agreed between the consultant, the Programme Manager SLGP Enugu, and the Performance Improvement Bureau. It is intended that this input should be completed by early-Nov.

Consultants	Days in field	Reporting	Total
Consultant	3	1	4

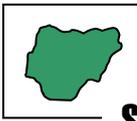
It should be noted that a specific number of days have been allowed for this assignment, and it is expected that the outputs will be fully delivered within this timeframe.

Logistics

SLGP will provide local transport, access to office support, and office space. The consultant should provide his or her own computer.

Reporting

Please refer to the SLGP quality assurance procedures, which provide details regarding report deadlines and formatting. The consultant should ensure that both hard and soft (electronic) copies of his report are submitted to the SLGP Programme Manager and Programme Officer



Annex 2

Names of those Interviewed

Names	Institution
John Sanchez	SLGP Programme Manager
Shedrack Nkoro	SLGP
Greg Anyaegbudike	SLGP
Sephora Akako	SLGP
Chris Ugwu	Performance Improvement Bureau
John Agu	HR Adviser, PIB
Sylvester Nwoye	Performance Manager PIB
Eng. B. Ndidi Edeh	Water Corporation
Mrs Nkiru Nwobodo	Economic Empowerment Development Initiative (NGO)
Dr. (Sir) M. Chukwunweike	Hon. Com. Education
U. Nwaebiem	Perm. Secretary, Education
Emeka Okereke	NCCIMA
Engr. Nwoma Nnamani	Permanent Secretary, Agric
Onyema Mwodo	Prin. Manager, Agriculture
Iloegbunam Nkiru	PRS, Agriculture
Mr. Chijioke Agu	Hon. Com. Environment
Martin Ilo	Economic Adviser
Mr. Peter Mbah	Hon. Com. For Finance
C. I. Ede	Accountant General
M.O. Nwangwu	Director Planning Commission
G. U. Ozonwu	Director Planning Commission



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Annex 4

Summary of three years Budget

Summary of Budgets and Accounts, Enugu State, 2004 – 2006

All figures are In Naira millions, not adjusted for Inflation

	2004			2005			2006			% Cap budget
	Budget	% Budget	Actual	Budget	% Budget	Actual	Budget	% Budget	Actual	
Revenue										
Federal Allocation	10744.00	75.3	8587.00	15952.00	79.1	14841.00	20976.00	81.7		
VAT	1564.00	11.0	1302.00	1654.00	8.2	1951.00	2000.00	7.8		
Internally Generated Revenue	1946.00	13.65	963.00	2564.60	12.7	1330.00	2700.00	10.5		
Total Revenue	14254.00	100	10852.00	20143.60	100	16792.00		100		
Recurrent Expenditure										
Personnel Costs	7740.00	54.3	12400.83	5531.00	27.5		6140.00	24.0		
Overheads + Subventions	3411.00	24.0		2767.00	13.7		3000.00	11.6		
Consolidated revenue Fund	1250.00	8.8	1853.23	1529.76	7.6		3631.30	14.1		
Total Recurrent	12411.00	87.0	14254.10	9827.76	48.8		12771.43	49.7		
Transfer to Capital Dev. Fund										
	1853.00	13.0	1853.00	10316.00	51.2		12905.00	50.3		
Capital Receipts										
Transfer from Consolidated Rev.	1850.00			10316.00			12905.00			
Opening Balance	300			300.00			400.00			
Internal Loans	3500.00			0.00			000			
External Loans	1520.00			859.87			997.20			
Grants	718.00			2275.33			2902.80			
Miscellaneous	2000.00			2720.00			2000.00			
	9888.00			16471.20			19205.00			
Capital Expenditure			<i>Jan-Dec</i>			<i>Jan-Oct</i>				
Rural Electrification	1000.00		316.65	216.00	1.3	196.00	195.00			7.02
Roads	2443.13		2392.35	1489.98		321.80	1921.74			
Water	750.00	7.6	199.00	682.00	4.2	24.63	800.00			4.17
Rural Water & Env. Sanitation	75.00	0.8	0.20	173.50	1.1	31.00	158.00			0.82
Education	1071.00	10.8	1948.44	3219.20	21.3	4397.74	3270.13			17.03
Health	972.80	9.8	1038.24	2441.00	14.8	2988.37	2785.60			14.50
Agriculture	216.25	2.2	0.00	223.60	1.4	0.00	436.70			2.28
Environment & Waste	590.00	5.9	27.50	119.40	0.7	0.00	60.40			0.57
Administration & Legislation	1631.25	16.4	1462.96	4169.59	25.3	321.80	3172.40			18.35
Sub-Total Capital	8749.43		7385.34	12734.27		8281.34	12799.97			
Closing Balance										



Annex 5

Notes to Summary of three years Budget

1. Education budget excludes Post Primary Schools Management Board budget

2. There were no sectoral budgets for Works/roads. The reason given was there roads constructions and maintenance are cross-cutting issues and their budgets are included in Agriculture sector (feeder roads) and industrial policies. Explanations were not given for intra-city road developments and maintenance.

4. Budget estimates for General Administration for 2004 was N1, 492.95 billion while Legislature was N138, 300. Actuals of N1, 463 was only expended on General Administration with no releases to the Legislature



Annex 6

Bibliography

Enugu State Poverty Reduction Strategy, State Economic Empowerment and Development Strategy (SEEDS)
Enugu State Approved Budget Estimates 2004 (Recurrent and Capital)
Enugu State Approved Budget Estimates 2005 (Recurrent and Capital)
Enugu State Approved Budget Estimates 2006 (Recurrent and Capital)
Enugu State Sectoral Policy Briefs
Enugu State Education Strategy 2006 - 2009
Brief on Enugu State Year 2007 Budget Proposal
Enugu State – 2007 Budget – List of MDAs and Expenditure Ceilings