

Spend & Borrow

Citizens' Report on State and Local
Government Budgets in the Niger Delta 2010

MAP OF NIGER DELTA SHOWING THE STATES



Legend

Niger Delta States

State	Color
Abia	Light Brown
Akwa Ibom	Light Green
Anambra	Light Yellow
Bayelsa	Light Orange
Cross River	Light Green
Delta	Light Brown
Edo	Light Green
Imo	Light Brown
Rivers	Light Green
Warri	Light Brown



Niger Delta Citizens And Budget
Platform (NDCBP)



Social Action

SPEND AND BORROW

**CITIZENS' REPORT ON STATE AND LOCAL
GOVERNMENT BUDGETS IN THE NIGER DELTA,
2010**

NIGER DELTA CITIZENS AND BUDGET PLATFORM

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Social Development Integrated Centre (Social Action)

33, Oromineke Layout, Off Emekuku Street, D-Line

Port Harcourt, Nigeria

Tel/Fax +234 84 765 413

www.saction.org

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ABBREVIATIONS

AIDS - Acquired Immune Deficiency Syndrome.

ASUU - Academic Staff Union of Universities.

BEITI - Bayelsa Expenditure and Income Transparency Initiative.

BPD - Barrels Per Day.

BYSSDS - Bayelsa State Sustainable Development Strategy.

CBN - Central Bank of Nigeria.

DDR - Disarmament, Demobilization, and Reintegration.

DPC - Damp Proof Course.

DPR - Department of Petroleum resources.

ECA - Excess Crude Account.

EFA - Education For All.

EFCC - Economic and Financial Crimes Commission.

FPSO - Floating, Production, Storage and Offloading.

GDP - Gross Domestic Product.

HIV - Human Immunodeficiency Virus

IGR - Internally Generated Revenue.

I-JVs - Independent Joint Ventures.

INEC - Independent Electoral Commission.

JVs - Joint Ventures.

LGA – Local Government Area

MDG - Millennium Development Goals.

MOSOP - Movement for the Survival of Ogoni People.

MTEF - Medium Term Expenditure Framework.

NDCBP - Niger Delta Citizens and Budget Platform.

NDDC - Niger Delta Development Commission.

NEITI - National Expenditure and Income Transparency Initiative.

NLNG - Nigerian Liquefied National Gas.

NNPC - Nigerian National Petroleum Corporation.

NOGI - Nigerian Oil and Gas Industry.

NOSDRA - National Oil Spill Detection and Response Agency.

NPC- National Population Census.

PEM - Public Expenditure Management.

PFC - Permanent Fund Corporation

PHC - Primary Health Centre.

PIB - Petroleum Industry Bill.

PTF - Petroleum trust Fund

RWI - Revenue Watch Institute.

SCF - Standard Cubic Feet

SPDC - Shell Petroleum Development Cooperation.

SWF - Sovereign Wealth Fund

UNEP - United Nations Environmental Programme.

UNESCO - United Nation Educational, Scientific and Cultural Organization.

USA - United states of America.

VAT - Value Added Tax.

WAEC - West African Examination Council.

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SUMMARY

In this report, the Niger Delta Citizens and Budget Platform (NDCBP) presents a critical analysis of the 2010 budgets of Niger Delta states of Akwa Ibom, Bayelsa, Delta and Rivers, and their local government councils. With General Elections planned for April 2011¹, 2010 was characterized by intense politicking with an almost overriding focus on consolidation of power among political office holders in the executive arms of government at the federal, state and local governments. In the Niger Delta states under review, all serving Executive Governors and most local government chairpersons were seeking re-election. Governments' priorities, including budget formulation and actual implementation, were often determined by the ambitions of political office holders. The report shows that while some progress was made with regards to addressing development needs, the political calculations may have informed the pattern of budget allocations in 2010.

While the policy statements of these states rightly emphasized education and health sectors as requiring major attention towards achieving economic and social development, the budgets indicate marked decline in the amount allocated to these major sectors in 2010. This is despite increases in overall budget figures compared to previous years. Bayelsa state recorded over 30% reduction in allocation to the education sector compared to the previous year. Bayelsa State had its health budget also reduced by over 60% in the 2010.

On the other hand, huge sums were allocated to arbitrary items such as 'General Administration' and amorphous titles like 'others'. Delta State allocated ₦12.7 billion to the amorphous item 'Others', as specified under 'General Administration'. This allocation is more than the ₦12.2 billion that the state government made available to education in 2010. In most of the states, the designation, 'General Administration' is still a matter of speculation, as much of what is often included under this budget heading are already covered in recurrent side or capital projects in other sectors.

The year also saw the continuance of large allocations for 'Security Vote' and other budget categories which could only enable arbitrary spending by government officials. In some states, the 'security vote' got as high as ₦7.5 billion in 2010 and has acquired notoriety, as it is often propelled above other social and capital provisions. Apart from the 'security vote', other amorphous budget line items like 'special projects (specified and unspecified)', 'welfare', and 'miscellaneous' abounded in the 2010 budgets of Niger Delta states. NDCBP's analyses also notes many cases of duplication in the budgets of states like Akwa Ibom where up to three allocations are made for the same project or the same target. There were also cases of repetition of projects over many years with fresh allocations annually.

The poor management of public finances by all levels of government compound impoverishment in the Niger Delta that have been caused by negative approaches to natural resources extraction and a history of political marginalization. It remains worrisome that states of the Niger Delta that are endowed with petroleum resources, which forms over 90% of the national revenue base are comparatively less developed than most other states in Nigeria. The Niger Delta states continue to be characterised by widespread poverty, low employment rate, continued civil unrest in form of militant activities, inadequate infrastructures, poor resource management resulting in continuation of gas flaring and oil pollution.

Development Projects and Duplication of Budget Items

In the area of 'development projects' Rivers State appeared to be a departure from the regional trend with very visible renovations of schools, hospitals and other infrastructure in all of its local government areas. In the education sector, the government of Rivers State made progress with the construction of several Model

Primary and Secondary Schools across the state. However, the very rapid development of physical structures was not matched with a programme for development and motivation of human resources in teaching and schools inspection. By the end of 2010, all universities owned by the Rivers State government were closed due to strike by lecturers demanding for improved funding for the institutions of tertiary education.

In Akwa Ibom, Bayelsa and Delta States, the perception among citizens was that of under performance in the area of development projects. This is despite the fact that several contracts were awarded repeatedly for the same projects. Indeed, in all the states under review, 2010 witnessed increase in the award of contracts that were tied to a patronage system in a year characterized by electoral politicking. Most of the contracts had little concern for the processes necessary to develop human and productive capacity needed to sustain social services and to promote production and revenues from the non-oil sectors.

Revenue Generation

This reports point out that in 2011 all the state governments under review continued to depend heavily on revenues from petroleum exports via allocations from the Federation Account while failing to make progress in exploring internally generated revenue options within the state. The states all received major boost in revenues with the sharing of funds from the Excess Crude Account (ECA). However, none of the states achieved up to 25% of internal revenue projection. Instead, states like Rivers, Bayelsa and Delta opted to obtain additional funding in the form of loans from banks and the capital market for the financing of budgets. Apart from Rivers State government which publicly acknowledged the loans, financial dealings of government in the other states remained a matter for speculation among citizens.

Budget Transparency and Popular Participation

On the issue of budget transparency, 2010 recorded minimal improvement in some of the states under review. While it was the practice in previous years to deny access to budget documents, in 2010 budget documents were duly provided to NDCBP upon written requests. The Rivers State government also commenced series of consultative town hall meetings in communities to discuss government development plans, though such town hall meetings were organized well after budgets had been concluded by the executive and legislative arms of government. However, the initiative of the Rivers State government is worthy of commendation, and deserves to be improved upon. Consolidation of the processes would result in better consensus and cohesion in the economic planning of the state(s) in the coming years.

Akwa Ibom and Bayelsa State governments also made their 2010 budgets available to NDCBP. However, the two states made no progress in promoting public participation in the budgeting processes in 2010. In these states, the citizens were not allowed significant role in the budget cycle from the period of formulation to monitoring. In the case of Bayelsa State, the Bayelsa Expenditure and Income Transparency Initiative (BEITI) seemed to have completely collapsed by 2010, with the members of the Multi-Stakeholder Working Group of BEITI unaware of plans for BEITI or government's budgeting priorities. The government of Delta State continued to treat annual budgets as secrete document in 2010, and recorded no real progress to promote public participation in the budgeting process.

In all the states, budget making is still, in different degrees, the exclusive preserve of a few government officials, as citizens are still not consulted or permitted any role in the process. The disadvantage of not involving citizens in the budget process is that the final product may not represent the interest of the majority of the people whose views were not sought. Non-involvement of citizens in budget process also makes it impossible for citizens to monitor the progress of work on capital projects, and understand the policy preferences of the government.

RECOMMENDATIONS

General

Urgent work is needed by governments and, in particular, citizens' organisations to make state and local government budgets relevant to the needs of communities in the Niger Delta area. As has been pointed out in previous reports by NDCBP, addressing the problem of mismanagement of public resources would involve major restructuring of the governance systems; including major changes in the approach to General and Local Government Elections. An improved system for electoral and political representation is necessary to improve government responsiveness and performance, and would contribute to curtailing violence in the Niger Delta through the legitimizing of political authority.

In addition, there remains a need for fundamental restructuring of the local government system in ways that reconciles systems of community governance with the Local Government Areas (LGA) councils. Elected community leaderships such as Community Development Committees (CDCs) should have some level of representation in local government councils. Chairmanship of LGAs should rotate among different communities. The restructuring of local governance would assist communities and citizens to assert their rights and ensure that revenues from oil and gas exploitation are utilized for the benefit of communities.

To State and Local Governments

- States should make enforceable legislation that promotes free information flow, fiscal responsibility and public accountability. In cases like Bayelsa Expenditure and Income Transparency Initiative (BEITI), processes should be expedited to back the body with the force of law.
- State and local governments should publish annual state budget proposals prior to presentation to the state houses of assembly and local government legislative assemblies respectively. The governments should also make quarterly budget execution reports available to the citizens. Such reports should detail monthly state government income from federal allocations and other sources, and state government expenditures, including allocations to local governments.
- State and local governments should avoid ambiguous languages and statistics in the presentation of budgets. As much as possible, details should be provided for cost and location of specific projects.
- State and local governments should work towards demystifying budgets by making their formulation a public issue and creating windows of opportunity for communities, individuals, and groups to make inputs into the budget processes. Town Hall Meetings should be organized by state and local governments prior to formulation of budget proposals.
- Government officials should be trained on budget making and monitoring.
- There should be general reduction of allocations for 'security vote', 'welfare', the offices of governors and chairpersons of states and local governments respectively while greater budgetary allocation should be made for education, health, and infrastructure, as these are the pivot for economic development.
- Urgent attention should be given to diversifying and improving the production of goods and services in the non-oil sector as a means of improving employment and income for citizens and income for government through an unambiguous tax regime.

- Reduce and be transparent about internal and external borrowing. This is so that state residents are aware of possibilities of governors and legislators leaving a debt burden for future administrations and generations.

To Citizens Groups

- Push for the enactment of fiscal responsibility laws and other legislations and institutions that promote free information flow, fiscal responsibility and public accountability.
- Embark on awareness campaigns to enlighten the public on the need for active participation in the formulation, monitoring, and evaluation of budgets.
- Mobilise communities to allow for greater public scrutiny of government spending priorities and increase representation to law enforcement agencies, including the Economic and Financial Crimes Commission (EFCC) and the Independent Corruption and Other Related Offences Commission (ICPC).
- Encourage government agencies such as NEITI and BEITI as opportunities to engage with governments in the states and local government areas of the Niger Delta to promote transparency in the formulation and implementation of budgets.
- Develop internal capacity in the form of personnel with specific training on budget issues. Acquiring the technical expertise to broaden the present scope of budget advocacy requires investment of financial resources as this has implications for effectiveness and sustainability processes for citizens engagement with government on issues of public budgets.

METHOD AND SCOPE

This report examines how the executive and legislative arms of the Niger Delta states allocated public resources by way of annual budgets to address development challenges. NDCBP's budget analysis and monitoring exercises were conducted to ascertain how realistic budget proposals are with regards to the intended goals. As much as possible, there was attempt to see if actual spending matched figures in approved budgets for the year; whether there were issues of overspending or under-spending; whether amounts allocated to various budget items were sufficient or not and to check if the annual budgets were actually implemented.

Specifically, this report presents findings from the examination of the 2010 budgets of the governments of Akwa Ibom, Bayelsa, Delta and Rivers States. In some instances, the budgets of local government councils were monitored. All the analyses presented in this report volume have been carried out by representatives of member organizations and community volunteers of the NDCBP.

In 2010, NDCBP sent formal requests for copies of annual budgets to the governments of Akwa Ibom, Bayelsa, Delta and Rivers States. Apart from Delta State, all the states made their annual budgets available to NDCBP. The analyses and monitoring reports that follow are based on the official budgets of Akwa Ibom, Bayelsa and Rivers States. In the case of Delta State, as was the case with the Citizens Report for 2009, the analyses and monitoring of the state budget was based on Delta State 2010 Details of Approved Capital Expenditure Estimates, acquired informally by the NDCBP. As a result, the analysts for Delta State's budget were not privy to the details of the state's expected revenue in 2010, recurrent profile for 2010, share of internally generated revenue and other relevant information.

NDCBP's team of analysts examined the policy thrust and mission statements of the various administrations in the states, most of which declare the primacy of education and health and the need for alternative sources of revenue. The analyses sought to examine the level of prioritization of these sectors by the administrations and the level of fiscal independence they sought to achieve during the fiscal year.

The analyses are thus specifically focused on the sectors of education and health. It dealt more specifically on the assessment of execution of infrastructural development. Other education and health indicators such as access to and enrolment in different levels of education over the years, access to hospitals and clinics, maternal and child mortality rate, life expectancy rate and corruption perception index etc that could be used to determine level of growth and development in an economy have not been used in this study. This is partly due to non-availability of data in most of these states and local governments.

The findings may be limited by the dearth of fiscal information from the states. Certain data like the states Auditor General's Report, which are necessary to perform an in depth analysis and the required comparisons were not made available to NDCBP in 2010. Thus while the results may not be conclusive, they invariably, will go a long way in contributing to better budgeting processes in the future and policy recommendation. This is because the team had sought to make in-depth comparative qualitative and quantitative analyses from the available data. The team also visited and interviewed the people of the states and local governments to obtain first hand information. The projects sites were also visited and valuator's assessment of projects used for analyses.

In 2010, NDCBP sought, through the budget analyses process, to determine the following:

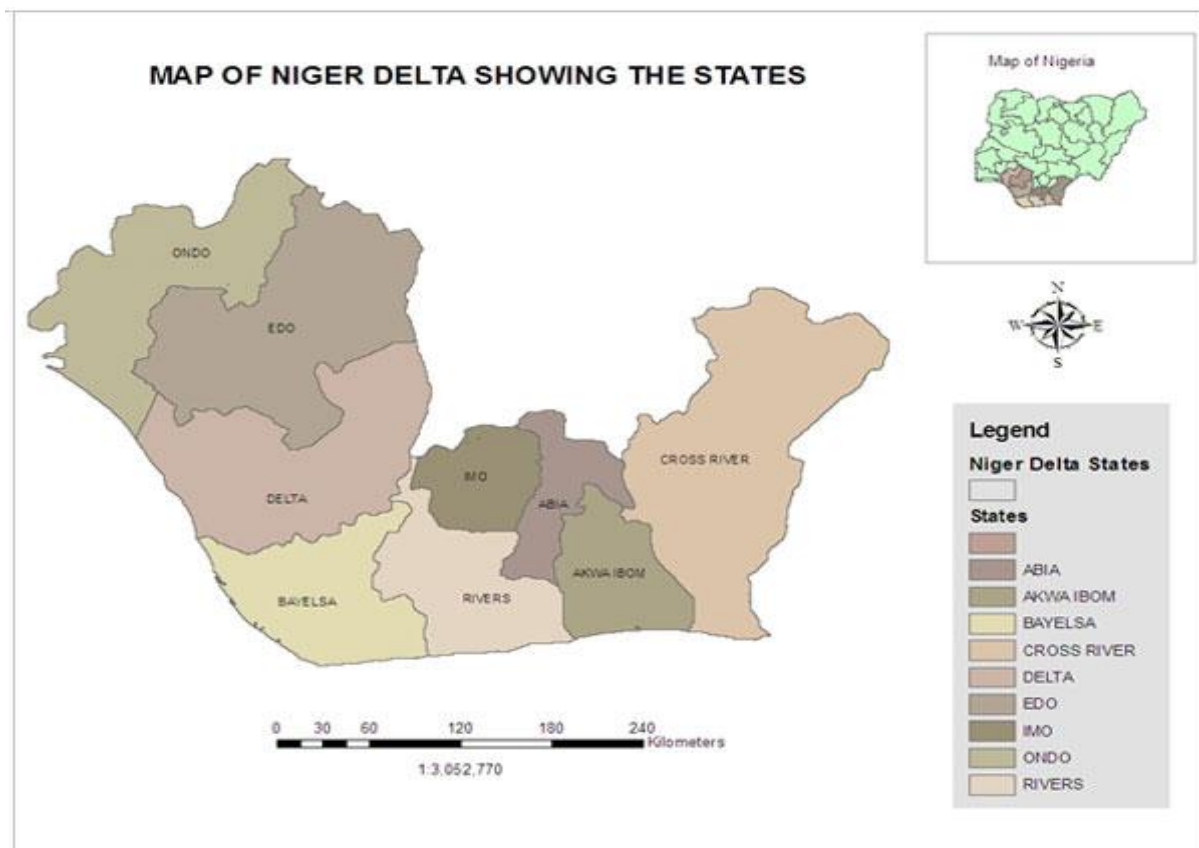
- Whether the allocations to the key sectors of Health & Education are adequate.
- Whether the government is efficient with the allocation and management of the state's resources, and whether the allocations along budget line are adequate and targeted to meet the stated objectives.

- Whether the governments sought diversification of revenue by seeking other revenue sources apart from the petroleum revenue based allocations from the Federation Account.
- Whether the allocations meet national and international stipulations for development in these sectors.

The monitoring reports that follow are based on random selection of state and local government projects in the states, with special emphasis on the education and health sectors.

This report is divided into two main parts. The first part provides a background and insight into an array of social issues with major significance to the development of the Niger Delta. The next part provides the findings of NDCBP budget analysts and monitoring teams in Akwa Ibom, Bayelsa, Delta and Rivers states.

Figure 1: Map of Niger Delta showing the states



Source: <http://www.gisdevelopment.net/index.htm>

BACKGROUND

The Poor State of the Oil Rich States

Oil was first discovered in Oloibiri, in the present Bayelsa State in 1956 by Shell. Two years later Nigeria joined the league of oil producing nations. From that beginning, the country's oil production and reserves have grown significantly from a modest 5,100 barrels per day (bpd) and 184 million barrels respectively to its current level. By 2008 Nigeria was the sixth largest exporter of crude in the world and the largest producer in Africa with a daily production of over 2 million bpd and reserves of over 30 billion barrelsⁱ. However, the Department of Petroleum Resources (DPR) latest statistical and geological findings estimated that the proven reserves in the country stand at some 27 billion barrels and would only last until 2035.ⁱⁱThe country's gas resources are no less substantial, with over 185 trillion standard cubic feet (scf) of gas, the 7th largest gas reserves in the world.

The country has continued to grow its reserves mainly from deep offshore fields. Between 2005 and 2010, Nigeria's reserves grew from 30 to 36 billion barrels. In addition, production capacity has grown slightly from 2.4 million to 2.85 million barrels per day during the same period, as a result of new production from the deep offshore (Bonga, Erha and Abo). In the past five years, seven Floating, Production, Storage & Offloading vessels (FPSO) were commissioned in Nigerian waters. Prior to militant onslaughts in 2009, three fields' (Bonga, Erha and Abo) average production capacity was 420,000 bpd. It is expected that more than 1 million barrels per day of production capacity will be added by the time more ongoing development projects targeted at recent discoveries in the deep offshore come on stream by 2012ⁱⁱⁱ.

It is therefore not a surprise that Nigeria has been described as the "oil super power" of the African continent. In fact, the oil and gas industry is the most important sector of the country's economy accounting for over 90% of the country's export earnings and over 80% of revenues accruing to the Federation Account.

Oil and gas resources should present an opportunity for Niger Delta states to improve the welfare of their citizens through improved government. However, evidence abounds to the opposite-many oil producing states in the region have not performed better than states without hydrocarbon endowment, despite receipt of 13% of oil revenues from the Federation Account^{iv} on the basis of the Derivation Principle^v. A combination of factors such as loss of livelihoods due to oil induced environmental devastation, violent conflicts and bad government over the years has created a situation of extreme poverty in the region.^{vi} For example, due to a long history of neglect by all tiers of government the people do not have access to efficient social services such as education and health with most schools and hospitals in different stages of dilapidation. Electricity generation is grossly inadequate to meet domestic and commercial needs of the people, despite the abundance of natural gas and huge potentials for renewable energy.

Spend and Borrow

The sudden increase of oil-based revenues fuelled dramatic expansions in government expenditures. However, the significant spending by governments have not resulted in improved productive capacity nor contributed significantly to poverty reduction, as a government patronage system is at variance with the ideal of properly formulated and executed budgets and other policies.

With politicians scheming to secure offices and party nominations ahead of General Elections in 2011, 2010 witnessed manifestation of executive recklessness with federal and state governments exhausting public coffers and resorting to domestic and external loans to keep the engines of government running. Such recklessness was most apparent with the depletion of the Excess Crude Account (ECA), which was

established in 2003 by the Olusegun Obasanjo led government. The idea behind the account is to protect the economy from the volatility caused by fluctuations in global oil prices. Fund for the ECA is generated from the excesses of Federal Government's established benchmark price (\$30 in 2005, \$35 in 2006, \$59 in 2008, \$45 in 2009, \$60 in 2010) of crude oil in its annual budgets. Any revenue over the benchmark price is put in the ECA. At the end of the Obasanjo administration in 2007 the ECA had a balance of US\$20 billion. By September 2010, the account had been depleted to a mere US\$400 million, as the Federal Government bowed to pressure from politicians to share funds with states and local governments amidst General Election politics.^{vii}

Part of the problem with the ECA is that its establishment was not backed by legislation, prompting state and local governments to demand, some say legitimately, that such funds should be shared through the Federation Account, the constitutionally established framework whereby oil revenues accruing to the Federal Government can be shared with states and local governments.

The justification for the sharing of strategic state savings has always been the development of infrastructure by the three tiers of government. However, there is little or nothing to show for how the funds have been expended with national and local infrastructure in states of decay. This reality has ignited widespread condemnation of government – even by high placed public officials.^{viii} For instance, the Presidential Advisory Committee to President Goodluck Jonathan was reported to have strongly criticized the “financial recklessness” of the Federal Government in a January 2011 report to the president.^{ix}

While depleting the ECA, in 2010 the Federal Government sought external loans to finance its expenditures. In one instance the Federal Government announced a plan to finance a deficit in the Appropriation Act of 2010 by securing \$915million in loans from the World Bank. Yet in another instance the Federal Government sought the approval of the National Assembly for a US\$4.427billion foreign loan. President Goodluck Jonathan was reported to have requested for new external loans to finance critical infrastructure in the country.^x

It was in response to the limitations of the ECA that the President Goodluck Jonathan submitted a bill for the creation of a Sovereign Wealth Fund (SWF) to the National Assembly. The proposed SWF is to provide

BEITI

The Bayelsa State government with technical support from the Revenue Watch Institute (RWI) commenced the process of domesticating the NEITI Act with the launching of Bayelsa Expenditure and Income Transparency Initiative (BEITI) on November 5, 2008 to open the State and Local Government Councils budgets to public scrutiny. This initiative modeled after NEITI seeks to monitor and ensure accountability in contributions- financial and non-financial from extractive industries companies to state and local authorities; improve democratic debate on state revenue use; reduce conflict and poverty; improve public service delivery and access to basic social services; and increase private investment and access to development finance. BEITI like NEITI is not without its own challenges. For example, The BEITI Bill is yet to be passed into law 2 years after it came on stream. The draft is still pending before the State House of Assembly; budget transparency especially at local government level is still far from reality; provision of information for the purpose of BEITI by some key officials of government remains a problem; there is no adequate information on the monthly revenue from the extractive industry to the State and Local Governments. At the end of 2010, the entire BEITI infrastructure in Bayelsa State seemed to have collapsed. The Multi-Stakeholder Working Group of BEITI was no longer functional and members were unaware of government's budgeting priorities.

the legal backing for national savings. The SWF bill proposes the empowerment of the Federal Government to manage savings from federally collected revenues.

Also evident of financial recklessness by politicians is the controversy in 2010 over the huge remuneration and receipts by members of the National Assembly from the public purse. This controversy reached its height when the Governor of the Central Bank pointed out that a quarter of the overhead budget for the entire country is used to service payments to members of the National Assembly. There are reports that an individual senator and member of the House of Representatives earn about US\$1.7 million per annum and US\$1.45million per annum respectively.^{xi} By contrast the official minimum wage for Nigerian workers (which is often higher than the average income for the majority) is ₦216,000 (US\$1,440) per year.^{xii}

Despite receiving funds from the ECA, some of the governments of Niger Delta states under review secured loans from local banks and the capital market. Of note is the ₦30 billion loan obtained by the government of Rivers State in 2010. There were also speculations about possible borrowing by the Bayelsa and Delta State governments in 2010. The nature of controversy over the possible loans by both states is an expression of the non-transparency in the management of public finances in both states.

Regulation and Reforms in the Oil and Gas Sector

As political office holders seem awash with petro-dollars, after 51 years of oil production, Nigeria is lagging behind other oil producing nations such as Brazil and Malaysia in areas of local content and cross sectoral linkages. Thus the oil sector has remained virtually an enclave, with little or no linkages with the rest of the domestic economy. Due to the technical nature of the oil industry, the sector's direct contribution to the overall level of employment remained low. Also, not only does the sector export virtually all its output, it also imports virtually all its requirement. Furthermore, the oil industry has created little or no technological transfer opportunities with the bulk of companies and expertise for crude oil operations coming from abroad. The required training of local personnel has been rather ineffectual owing to the great secrecy which surrounds oil operations. It was the desire of the Nigerian government to change this negative trend that led to the enactment of the Nigeria Oil and Gas Content Development Act 2010.

The Petroleum Industry Bill (PIB) represents the first attempt by the Nigerian State to consolidate prevailing laws in the petroleum industry into one document as it proposes to repeal sixteen existing laws governing different aspects of the oil industry. The fundamental objectives as set out in the Bill are: Increased crude oil capacity; Gas sector development; Transparency and good governance; Community development; Nigerian Content; Independent and commercialized Nigerian National Petroleum Corporation (NNPC); Reform of institutional framework, regulatory and policy making efficiency, resolution of funding issues through the creation of Independent Joint Ventures (I-JVs); Transition to self sustaining I-JVs. The Bill consists of nine parts and 495 sections and establishes nine institutions, five of which are newly created and the remaining four being re-established institutions. The institutions as contained in Chapter 2 of Part 2 of the Bill are: The National Petroleum Directorate; The Nigerian Petroleum Inspectorate; The Petroleum Products Regulatory Authority; The National Assets Management Agency; The Nigerian Petroleum Company Limited; The Nigerian Petroleum Research Centre; The National Frontier Exploration Service; The Petroleum Equalization Fund; The Petroleum Technology Development Fund. The problem here is that there are overlapping functions among the proposed institutions that could result in duplication of functions and therefore create confusion and fuel corruption.

Local Content Legislation

The Bill for an Act to provide for the development of Nigerian Content in the Nigerian Oil and Gas Industry, for Content Plan, for Supervision, Coordination, Monitoring and Implementation of Nigerian Content and for Matters Incidental Thereto was signed into law by the then Acting President Goodluck Jonathan in 2010. The Nigerian Content has been defined by the Nigerian National Petroleum Corporation (NNPC) thus:

"The Nigerian Content is the quantum of composite value added or created in the Nigerian economy through the utilization of Nigerian human and material resources for the provision of goods and services to the petroleum industry within acceptable quality, health, safety and environmental standards in order to stimulate the development of indigenous capabilities" (Sweet Crude, Vanguard, Tuesday, May 4, 2010, P. 30)

The Act among other objectives provides that Nigerian independent operators shall be given first consideration in the award of oil blocks, oil field licenses, oil lifting licenses and in all projects for which contracts is to be awarded in the Nigerian Oil and Gas Industry. The Nigerian Content Act also stipulates that in the bidding for any license, permit or interest and before carrying out any project in the Nigerian oil and gas industry, an operator shall submit a Nigerian content plan demonstrating compliance with the Nigerian content requirement of the Law. This new Act requires that a high proportion of the oil and gas industry activities be performed in the country with increased participation of local companies and indigenes. As the Minister for Petroleum puts it:

"The Nigerian Content Law has the potential to generate over 30,000 jobs in the next five years and has far reaching implications for the issues of technological advancement, long-term cost effectiveness, post amnesty programmes in the Niger Delta and the improved impact of the Oil and Gas Industry on our National GDP"(THISDAY, Tuesday, June 22, 2010:34).

It appears that the vision for this policy derives from the fact that despite huge investments made by government in the Oil and Gas sector of the economy, its contribution to Gross Domestic Product (GDP) growth has been minimal. This situation, NNPC contends emanates from low Nigerian content in the industry, evident from over 80% of work value carried out. This has resulted in dearth in jobs, skills development, capacity building/utilization and lack of sustained national economic growth.

Although the required capacity to attain the laudable objectives of the Act is currently not available, the existing gaps present significant business opportunities to grow required capacities to support the intendment of the Nigerian Oil and Gas Content Development Act.

The bill proposes to continue to vest sovereign ownership of petroleum within Nigeria, its territorial waters, the Exclusive Economic Zone and the extended continental shelf, in the Sovereign State of Nigeria and for and on behalf of the people of Nigeria. This evokes condemnation by oil endowed states and communities as it failed to accommodate their agitations for resource control. A corollary to this section is that all royalty goes to the Federal Government without stating what goes to the oil bearing communities. Although Section 7 of the bill provided for development projects for oil endowed communities, it does not specify the projects referred to or the form in which they are to be undertaken. It is therefore not a surprise that governors of the oil endowed Niger Delta States announced their joint rejection of certain aspects of the PIB, because in their view, the proposed law would not make any transformational difference in the lives of the people of their states. The Guardian newspaper justified the

governors' action in the following words:

"Neglect and denial of the handsome dividends of their natural resources have been at the heart of the militancy which has only just quietened with the amnesty programme. There is no guarantee that a new crop of militants will not seize upon the inadequacies of the envisaged petroleum law to begin a fresh round of agitation"^{xiii}

In response, government retraced its step and has offered 10% equity participation^{xiv} to oil producing communities. This proposal is intended to cover all the existing and currently operating Joint Ventures. Thus government proposed to scale down the equities which it currently holds through the NNPC in the respective Joint Ventures. In order to retain 41% equity position in the JVs, government intends to sell down 14% in SPDC JV and 19% in the other JV respectively. The equities given up by government will be reassigned as follows:

9% to the host communities in the case of SPDC JV;

10% to the generality of Nigerians who are willing to invest in the IJV (7% in the case of SPDC JV)

Under the new proposals, no single individual can acquire more than 0.1% of the shares of each IJV on the stock market, and equities assigned to the host communities will be managed via a separate process for direct conveyance to the citizens. However; the challenges of this initiative include how to calculate the proposed 10% and how to define oil producing communities. Also, the capacity of indigenous governance systems to cope with the mechanism of funding of the equity for the host communities, and preparedness and speed of state legislatures to pass a law establishing a host communities' Permanent Fund Corporation to manage the assets of the Fund without pitching members of the communities against themselves, are issues that demand attention. For instance, the Federal Government proposed that the seed money for the 10% equity contribution of host communities is to be funded from direct deduction of an equivalent sum from the constitutionally provided 13% accruing to the derivation states. In doing so, the contribution of the various communities to the overall revenue accruing to the state should be taken into consideration, so as to arrive at the equity contribution of each community.^{xv}

In order to increase indigenous participation in the industry especially in the upstream sector, marginal fields were awarded to local entrepreneurs. The marginal field development strategy is aimed at engaging the pool of high level technically competent Nigerians in the oil and gas sector thereby providing a spring board for development of indigenous companies which overtime will venture into operations in less conventional terrains. The intendment in the long-run is creation of greater opportunities for technological transfer and increased local employment. Consequently, foreign investors are being encouraged to collaborate with their Nigerian counterparts to attain set objectives.

Management of Natural Resources/Environment

In 2010, governments (both federal and state) took steps to address the worsening cases of environmental degradation through creation of institutions such as the National Oil Spill Detection and Response Agency under the Ministry of Environment, and through the activities of the Department of Petroleum Resources (DPR), and the environmental protection efforts of the Federal and State Ministries of Environment. However, the failure of relevant agencies to take prompt action to clean up spills, enforce legislations against gas flaring and other harmful environmental practices, increase the massive pollution, and corruption that have combined to create environmental catastrophe, human rights violations and denial of justice to inhabitants of communities in the Niger Delta.

The perception among members of oil endowed communities in the Niger Delta is that ongoing reforms in the oil and gas sector fail to take into account the multiple-exclusion suffered by them. This is despite the fact that environmental impacts of extraction on resource endowed communities have long been a challenge to government and companies as civil society activists and the media have brought heightened attention to large-scale environmental damage.

In 2010 many oil spills were reported^{xvi}, the most significant of which may have been the repeated discharges (March, May, June, July) from Mobil's^{xvii} Qua Iboe facilities offshore of Ibeno, Akwa Ibom State^{xviii}. While fishermen were reporting the spills and NGOs were presenting pictures of dead marine organisms at the Atlantic coastline, the Nigerian authorities and Mobil were in denial. Mobil consistently delayed confirming the spills even when the National Oil Spill Detection and Response Agency (NOSDRA) had acknowledged them. In the case of the spill of May 2010, Mobil declared a 'force majeure' on its Qua Iboe crude streams.

Though over two thousand fishers and residents of local communities suffered major losses to properties and livelihoods as a result of the spills, their concerns were treated with contempt and tardiness by Mobil and the government, resulting in protests by community members. Compensation payments were not effected as at end of 2010 even as newspapers reported that victims were being defrauded by people selling fake compensation forms^{xix}. The community victims turned down Mobil's offer to provide development projects worth ₦2 billion in the communities, insisting on monetary compensation.

The common refrain chanted by the state and extractive companies (especially oil firms) in response to oil spill is sabotage^{xx}. By such automatic criminalization of the victims, the state and the companies exculpate themselves from legal suits and any financial responsibilities. There are instances where oil companies have refused to obey court orders over payment of compensation to impacted communities. Communities also have to wait many years before courts deliver judgment. For example, the people of Egbu-Ejama were awarded ₦15 billion in compensation from Shell for a major oil spill dating back to 1970. The long delays by the judicial system are a factor behind the restiveness and militancy among some youth in the Niger Delta.

Gas Flaring

In 2010, no significant progress was recorded in the effort to end routine gas flaring^{xxi}, in the oil fields of the Nigeria delta, despite the adverse impacts of the practice to health and livelihoods of millions of residents in the areas. The government did nothing to enforce a 2005 Federal High Court ruling which requested that the government and oil companies stop routine gas flaring. Indeed the year 2010 witnessed the stalling of effort to improve legislation to address gas flaring. A Gas Flaring (Prohibition and Punishment) Bill that sought an end to gas flare-out in Nigeria by 31 December 2010 was passed in 2009 by the Nigerian Senate. But the version of the bill in the House of Representatives did not make progress amid pressure from oil companies and the Nigerian government who are more concerned with the possibility of reduction in revenue if and when a new legislation is enforced.

Corruption in Oil and Gas Industry

Despite government's professed commitment to enthrone transparency and accountability in the oil and gas sector, corruption in this vital sector of the nation's economy subsists. This disturbing information about the corruptibility of the oil sector has been brought to the fore by the Nigerian Liquefied Natural Gas Industry (NLNG)/Halliburton bribe scandal. In 2010, the Economic and Financial Crime Commission (EFCC) summoned the managing directors of Shell and Halliburton over their companies' alleged complicity in \$240 million and \$180 Million bribery cases respectively. Invitation of the chief executives of Shell was in connection with developments in the United States of America (USA) on allegations of bribe for contract between the Anglo -Dutch oil giant and some Nigerian government officials. It would be recalled that Shell was fined \$30 million by the U.S. authorities for allegedly offering bribe to Libyan, Angolan, Nigerian officials and their counterparts in four other countries.^{xxii} Similarly, the EFCC summoned the managing director of Halliburton over alleged \$180 million bribe^{xxiii} given to Nigerian officials between 2004 and 2008 to facilitate a contract in the NLNG. In December, 2010, Halliburton agreed to pay US\$35,000 as settlement with Nigerian authorities in a bid to avoid prosecution in the country. ^{xxiv}In contrast, the U.S authorities made Halliburton to pay US\$579million in fines to avoid prosecution for the bribery of Nigerian officials.^{xxv} On its part, Shell agreed to pay US\$ 10 million to Nigerian authorities to avoid prosecution in the country.

Public knowledge of corruption in the oil sector dates back to 1980 following reports that some N2.8 billion in oil receipts was missing or unaccounted for at the time. The Shehu Shagari Administration set up a panel under the chairmanship of Supreme Court Justice Ayo Irikefe to probe the finances of the national oil consortium, NNPC. Although the Commission reported that it found no evidence that any money was missing it however produced some startling disclosures:

"Prof. Ayodele Awojobi of the University of Lagos demonstrated that the barrel being used to lift crude from Nigeria's oil wells was four gallons bigger than the standard international barrel. This meant that the company doing the lifting got four gallons for every barrel. Multiply that by a million and we are talking big money even in currency far less than the Naira" (Dare, 201064).

The pertinent question for NEITI to answer is whether the companies lifting the country's crude oil have since switched to the international standard barrel. On the issue of the quantum of oil produced, the Ayo Irikefe Commission found:

" that nobody knew how much oil was being lifted. The metering rooms, manned by expatriates were out of bounds to Nigerian officials. In return for not doing what they were assigned to do, the officials were generously provisioned with cash, canned beer, then a novelty in Nigeria and expenses paid holidays abroad"(ibid).

There is need to ensure that companies and officials implicated in the latest bribery scandal are made to face the full force of the law to serve as deterrent to future offenders. In the final analysis, the way and manner the Shell and Halliburton investigations are concluded would be very relevant to strengthening or marring government's anti-corruption crusade especially in the oil and gas sector.

Federal and State Institutions

The Federal Government established the Niger Delta Development Commission (NDDC) in 2000 to address the economic problems in the region through development initiatives. The establishment of NDDC was based on the NDDC Act, 2000, which drew its authority from the constitution of the Federal Republic of Nigeria, 1999 (especially section 16(1) (a) (b) and section 20). The Niger Delta Regional Development Plan, which was produced by the NDDC and launched by the Federal Government in 2007 proposed far reaching programmes for the transformation of the Niger delta region. Despite the commission's efforts at engineering development, the perception among the people is that of ineffectiveness in delivering on promises. However, the NDDC had suffered budget constraints as it was consistently owed statutory budget allocations by both the oil multinationals, Federal and State governments. To make matters worse, there are no sanctions stated by the Act that may be visited upon erring governments and companies. The Commission lacks independence since it is subject to the direction, control or supervision in the performance of its functions under the Act by the President of the Federal Republic of Nigeria (see Section 7 (3) of the Act).

The Commission is seen by many residents of the area as being enmeshed in corruption and serving the political interest of the Presidency and the ruling party in the Niger Delta region. In 2010, major in-fighting and fraud involving board members and senior managers prevented any meaningful performance on set goals.^{xxvi} This limited performance can be brought to focus by the huge budget allocation of ₦240 billion by the Federal Government to the Commission in 2010. It was almost double the allocation of the previous year. The Commission's budget was approved only 5 months to the end of the year prompting observers to question the possibility of expending that amount in the year. The budget of the Commission as approved by the Federal Government and National Assembly was lacking in detail. For example, ₦4 billion was approved for the head office with no details provided. Interestingly, government has failed to prosecute officers that were mentioned in connection with the fraud. The Ministry of Niger Delta, which is seen as a duplication of the NDDC also, did not record any meaningful achievement during the year in review.

Similarly, the Delta State government established Delta State Oil Producing Area Development Commission (DESOPADEC) to undertake development of oil producing communities in the State. Fund for the commission is allocated from the derivation fund due the state. The focus of the commission is to ensure that oil endowed communities benefit from the natural resources located in their environment. The Commission has been involved with awarding contracts for development projects amid allegations of corruption against its officials.^{xxvii} There have also been reports of non-release of the fund due the commission by the Government of Delta State.^{xxviii}

The Amnesty Programme

When in May 2009 military option failed in flushing out armed militants from the creeks of the Niger Delta, the Federal Government on June 24, 2009 came out with the face-saving option of amnesty for all militants who surrendered their weapons and renounced armed struggle.^{xxviii} This was followed by a Disarmament, Demobilization, and Reintegration (DDR). The disarmament phase was concluded on October 4, 2009. However some developments in 2010 portrayed the Government as embarking on a deceitful process of offering amnesty to the militants without a concrete programme of action to address the underlying causes of conflict in the region.

In the context of the Niger Delta, we argue that the Amnesty Programme should be an integral part of a holistic framework towards development, social justice and social transformation. We argue for a broader understanding of amnesty to include not only the grant of state pardon to militants but efforts to address the

wider contexts which generated armed resistance against the Nigerian State. It is not surprising that, despite the on-going amnesty programme, more militant actions/attacks keep resurging^{xxxix}, underscoring the limitation of the current conflict resolution initiative.

The packages provided to ex-militants are already invoking jealousy, resentment and deep rifts in communities impacted by their activities. Worse still, there are inflated expectations, rumours, and misunderstanding about the aims of the amnesty deal.

Electoral Reform and General Elections

With General Elections planned for April 2011ⁱ, 2010 was characterized by intense politicking in Nigeria. The year witnessed an almost overriding focus on consolidation of power among political office holders in the executive arms of government at the federal, state and local governments. In the Niger Delta states of Akwa Ibom, Bayelsa, Delta and Rivers, all serving Executive Governors and most local government chairpersons were seeking re-election. Governments' priorities, including budget formulation and actual implementation, were often determined by the ambitions of political office holders. With all previous General Elections since the return to civil rule in 1999 marred by mass disenfranchisement through pervasive vote rigging and a patronage system for selecting party candidates, 2010 offered an opportunity to political office holders to respond to the yearnings of Nigerians for changes through electoral reforms and transparency in the management of public finances to address the development challenges of Nigeria.

When properly constituted, democracy offers the best prospects for good governance and political stability. Credible, free and fair elections are therefore crucial for the sustenance of a democratic order both in established and transitional democracies. It is hardly surprising therefore that the issue of free and fair elections is occupying the front burners in the political discourse due to the recurrent nexus between controversial elections and democratic collapse and its implication for democratic consolidation as Nigeria approached the 2011 general elections. While there were palpable fears of failure as a result of the patterns of political mobilization preceding the elections, Nigerians generally looked forward to breaking the jinx of electoral fraud. Steps taken to ensure credible elections include the amendment of the electoral act to accommodate INEC's request for extension of time for voter registration. Notwithstanding the criticisms against the National Assembly to further amend the 2010 Electoral Act to make lawmakers members of the National Executive Committee (NEC) of their political parties, the two Chambers of the National Assembly went ahead with a joint Public Hearing in preparation for some needed amendments to electoral laws.

A major cause for unrest in the Nigerian State is the perception of exclusion of minority ethnic nationalities in the highest level of political leadership in the country. However, the political situation that threw up the Goodluck Jonathan Presidency in 2010 was perceived as an opportunity to assure the ethnic minorities that the Nigerian project is a collective responsibility. Unfortunately, his emergence had escalated ethnicisation of political relationship with attendant divisive tendencies. Worse still the continuation of militant activities in the Niger Delta (despite the Amnesty programme of the Federal Government) creates the impression that occupation of the Presidency is not enough to assuage the entrenched feelings of alienation of the people from access and control of resources generated from their environment.

Budget Monitoring and Advocacy

Applied budget work in the region has its own daunting though not insurmountable challenges. These range from political to management and accounting issues. Although budget systems in the Niger Delta states vary according to character of the political leadership, most of the States have similar poor budget practices.

The problems typically originate in the executive and weak legislature. The oversight power of the State Houses of Assemblies appears more impressive in the Constitution than in practice. They operate more as an extension of the executive branch and this deficiency complicates all facets of the budget process—from budget formulation to execution and oversight. This hinders efforts at the federal level to improve budget transparency and accountability.

AKWA IBOM STATE

Total Budget for 2010	₦288.8 billion
Total Capital Votes	₦240.1 billion
Total Recurrent Votes	₦ 48.7 billion
Total Capital Votes for Education	₦ 18.4 billion
Total Capital Votes for Health	₦ 10.1 billion
Total Capital Votes for General Administration	₦ 43.7 billion

While very reliable population figures are not readily available, the official result of the National Population Census of 2006 shows that Akwa Ibom State had a population of 3.9 million people in the census year. As one of the oil producing states, Akwa Ibom benefits from the constitutional provision that earmarks 13% of petroleum revenues to states where the resource is extracted. Information from the Federal Ministry of Finance indicates that Akwa Ibom state ranked as the highest earner from the Federation Account in 2010.

In 2010, the Akwa Ibom State government budgeted ₦298.5 billion. Of this amount, 16.9% was expected to be used for recurrent expenditures, while 83.1% was for capital projects.

According to the Akwa Ibom State government,

'the policy thrust of the 2010 budget is predicated on the completion of all on-going projects, improving basic infrastructures (power and transportation), security, development of human capital, and enhancing services in education and healthcare with a view to not only improving the living standard of our people, but also creating employment opportunities'.

Other relevant policy objectives include,

'the development of other internal revenue generation sources, the rehabilitation of our health institutions and the provision of additional healthcare facilities and services to guarantee a healthy populace, the provision of facilities to cope with increased school enrolment and the provision of teaching aids in public schools (i.e primary and secondary), and the expansion and diversification of the resource base of the state economy'.

Access to Budgets and Citizens' Participation

The Niger Delta Citizens and Budget Platform (NDCBP) obtained copy of 2010 budget from the government of Akwa Ibom state after formal requests. The action of government is a departure from recent experiences when NDCBP's formal requests for budgets were ignored. At the beginning of its 2009 budget intervention in Akwa Ibom State, NDCBP sent letters to the government of Akwa Ibom State requesting copies of its 2009 approved budget. Up till the end of that year, NDCBP received no response. However, letters by NDCBP requesting for 2010 budgets from five local government councils in the state did not attract any response from the councils.

While access to state government budget could arguably be said to have marginally improved, (though the document is still not publicly available in the state website or in libraries) the same cannot be said about the participation of citizens in the budget process. Budget making is still the exclusive preserve of a few government officials, as citizens are still not consulted or permitted any role in the process. The disadvantage of alienating citizens from the budget process is that the final product may not represent the interest of the majority of the people whose views were not sought. Budget alienation also makes it impossible for citizens to monitor the progress of work on capital projects, and understand the policy preferences of the government.

Budget Performance in 2009

In the state governor's budget speech preceding the 2010 budget details, an account is given of the performance of the previous year's budget. It was reported in that speech that the overall budget performance for 2009 was 78.1%. In the critical sectors of education and health, it was reported that the performance was 79.8% and 80.6% respectively. A closer look at the outlay of the detailed budget, however, raises questions as to the authenticity of the performance index. It is stated in the budget that the actual expenditure in the education sector as at 31st August 2009, was N3.3billion as against N10.7 billion, which was the total allocation to the sector, indicating a sectoral budget performance of just 30.8%. It is surprising that with just 4 months to the end of the fiscal year, the performance could rise rapidly to 79.8%.

In the health sector, out of an allocation of N9.7 billion, only N4.7billion had been utilized as at 31st August 2009, indicating a performance of 48.5%. However, the budget speech records an 80.6% performance at the end of the remaining 4 months. These figures give the impression that either the performance of the budget has been wrongly calculated or they have been deliberately manipulated to give an impression of greater achievement than the facts will indicate. The performance index certainly presents a loftier picture than NDCBP's monitoring report of randomly selected projects in the areas of education and health in the state, where facts on the ground pointed to a budget performance of less than 50% of monitored projects as at the end of 2009.

Local Government Budget and Finance

A study of three local government budgets acquired (informally) by NDCBP indicates that local governments in 2010 did not bother to include capital expenditure in their budgets. Budget documents only made provision for recurrent expenditure giving the impression that local governments do not plan to carry out capital projects. The reason for this trend has not been established by NDCBP. However, the practice (or omission) brings to focus the Akwa Ibom State Inter Ministerial Direct Labour Committee which was created to harmonize the activities of the state and the local governments. Evidence from the local government budgets, and the absence of local government capital projects on ground, indicates that rather than harmonize development activities, the committee has expropriated the activities (and funds) of the local governments and handed same to the state government thereby effectively decapitating the structure of local governments as the closest tier of government to the people, while increasing the share of funds to the state government.

The Akwa Ibom State estimated revenue between the previous year and 2010, has increased by N14.7billion or 5.2%. In real value terms, however, there has been a 7.8% decline in the overall budget size. Also of note in the budget is the fact that in certain cases, there are wrong summations of figures, creating the impression that the budget was either hastily prepared or prepared by unqualified persons.

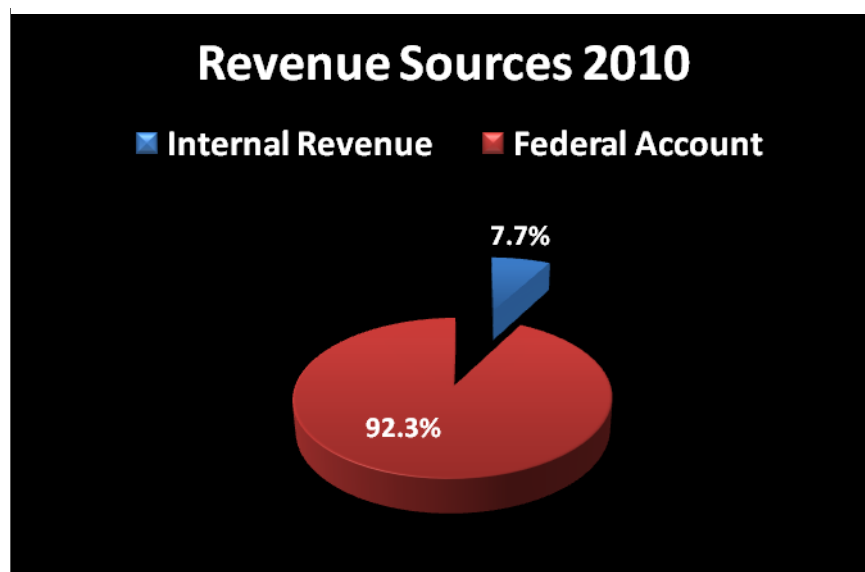
Revenue Sources

Table 1: Akwa Ibom State Revenue Profile 2010

SOURCES	APPROVED ESTIMATES 2010 (₦B)	APPROVED REVISED ESTIMATES 2009 (₦B)
Internally Generated Revenue	16,866,852,910	14,016,030,700
Statutory	24,000,000,000	22,840,000,000
VAT	6,000,000,000	5,300,000,000
Derivation	173,000,000,000	134,499,500,000
Other Capital Receipts (Excluding Recurrent Surplus)	78,653,797,860	107,157,717,470
TOTAL	298,520,650,770	283,813,248,170

Source: Akwa Ibom State Government Approved Recurrent and Capital Estimates 2010

Figure 2: Akwa Ibom State Revenue Sources



Source: Akwa Ibom State Government Approved Recurrent and Capital Estimates 2010

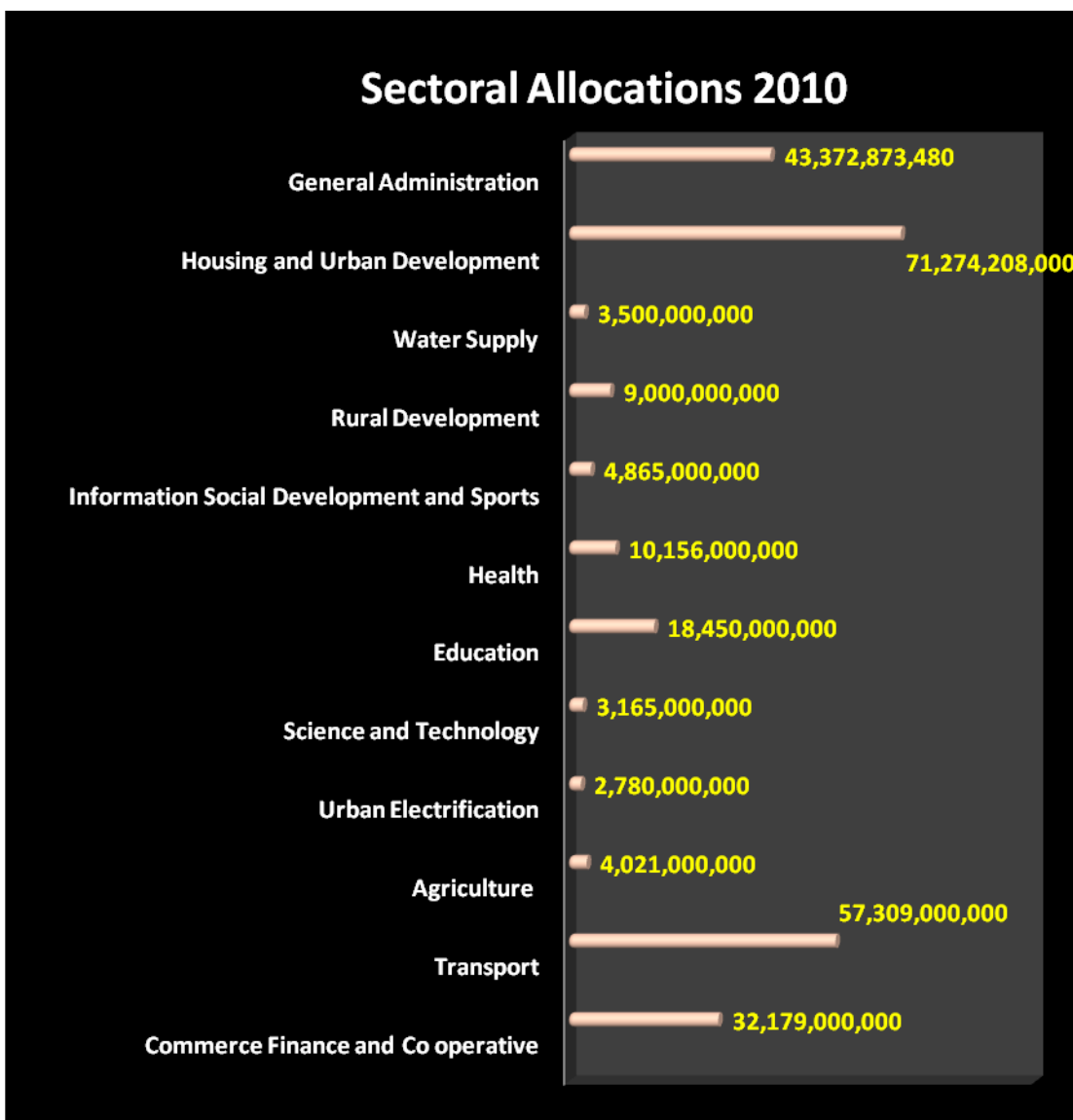
From the data provided above, it is evident that as in previous years, Akwa Ibom State depended almost exclusively on transfers from the Federation Account. In 2009, 92.1% of its expected recurrent revenue was traceable to the Federation Account. In 2010 this increases to 92.3% of its expected revenue, despite the administration's commitment to "expand and diversify the resource base of the state's economy to sustain the transformation and reforms initiative" as encapsulated in its 2009 policy statement. Internally generated revenue which indicates the state's financial independence was only ₦14 billion or 4.9% of total expected revenue in 2009, and ₦16.8 billion or 5.6% of total expected revenue in 2010. A closer look at the details of the state's internally generated revenue in 2009 indicates that even the meagre expectation of that year's budget could not be met as it fell short by 13%. These facts point either to a policy reversal by the administration, or a total failure to live up to its policy priorities.

While the state government in its policy statement claims it intends to pursue "the development of other internal revenue generation sources" and "the expansion and diversification of the resource base of the state's economy", its expectation from these exercise reflects a lack of confidence in its ability to actually achieve this. It would be expected that since exploring other sources of revenue is a priority of the administration, then it would reflect in what share of the state's estimated revenue is expected from these alternative sources.

The opposite is instead the case, as the share of internally generated revenue actually declines against transfers from the Federation Account in 2010.

The bulk of the revenue in 2010 was expected to accrue from the Federation Account, which is dominated by petroleum rents (90%) This means that the Akwa Ibom State government depends on money from oil for its survival. The problem with this scenario is that dependence on oil or other similar natural resource creates internal challenges. The first is that the price of oil in the international market is extremely unstable. Prices could fall drastically in a very short time, creating problems for short and long term planning, and often leading to unexpected budget deficits and low budget performance.

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Figure 3: Akwa Ibom Sectoral Allocations, 2010



Source: Akwa Ibom State Government Approved Recurrent and Capital Estimates 2010

The exclusive dependence on ‘oil money’ also has the disadvantage of clouding out other viable sectors of the economy. This phenomenon has been called the ‘Dutch Disease’ and describes a situation where the availability of a regular flow of money from a natural resource diverts the emphasis of the local economy from other potentially viable revenue avenues like agriculture and

manufacturing. It is debatable that this is the situation with the economy of Akwa Ibom State.

Budget Irregularities and Duplications

The 2010 budget clearly repeats several projects and anticipated targets already contained in the 2009 budget. One would have expected that since the budget had achieved such high performance level as claimed in the government's report card for 2009, projects previously mentioned in 2009 would not reoccur in the budget in 2010. But in many cases, projects already budgeted for in the previous year, are allocated funds.

Aside this, the budget presents cases of duplications with different headings, different allocations, but the same targets. The table below presents some of these cases in the sector of education.

Table 2: Irregularities and Duplication in Akwa Ibom State Budget

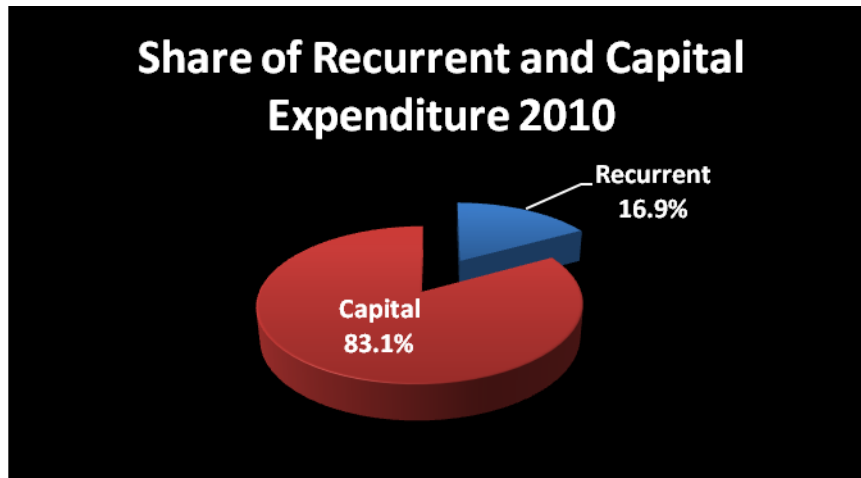
Project Title	Allocation	Target
School Inspection and Monitoring		
Schools inspection	N100million	Supervision and Monitoring of Schools
Purchase of operational vehicles	N90million	Provision of utility vehicles for inspection/supervision of schools
Investigation/Monitoring of Secondary School	N40million	Provision of monitoring facilities/logistics
Provision of Facilities in Schools		
Complete expansion/ refurbishing of buildings and provision of facilities in primary and secondary school	N3billion	Complete expansion/ refurbishing of buildings and provision of facilities in primary and secondary school
Disarticulation of JSS from SSS	N150million	Supply of dual desk etc
Provision of boarding facilities in secondary schools.	N1billion	Provision of double bunk beds, mattresses, etc
Procurement of educational materials for primary schools	N100million	Procurement of chalk, pencil, etc to primary school.
Staff Training		
Teacher's education and training for programmes primary, secondary and vocational schools.	N40million	Training of primary and secondary school teachers
Capacity building for staff of ministry of education and parastatals	N100million	Training of primary and secondary school teachers
Capacity building for staff	N30million	To train staff at seminar and workshops for increased productivity
Training and retraining of school teachers/ staff development	N75million	Training of primary school teachers in workshops, seminars and short courses
Feeding of Pupils		
School feeding programme, one meal per day per child	N300million	School feeding programme, one meal per day per child
Home grown school feeding programme	N40million	Procurement of snacks for school children in primary schools.
Free Books		
Free exercise books/textbooks	N1billion	Purchase/supply of exercise books and textbooks for free distribution to the entire school system in the state.
Provision of customized exercise	N250million	Production of customized exercise books for distribution to primary schools in the state

Source: Akwa Ibom State Government Approved Recurrent and Capital Estimates 2010

Recurrent and Capital Expenditure

In 2009, ₦43billion was dedicated to recurrent expenditure which is 15.2% of the total budget. In 2010, it is ₦48.7billion or 16.9% for recurrent expenditure. This indicates a ₦5.7billion nominal increase in the state's recurrent profile. This is a fair balance considering the immense capital needs of Akwa Ibom State. Definitely, more balanced than Bayelsa State's budget where 64% of its 2010 budget is dedicated to the service of recurrent expenditure.

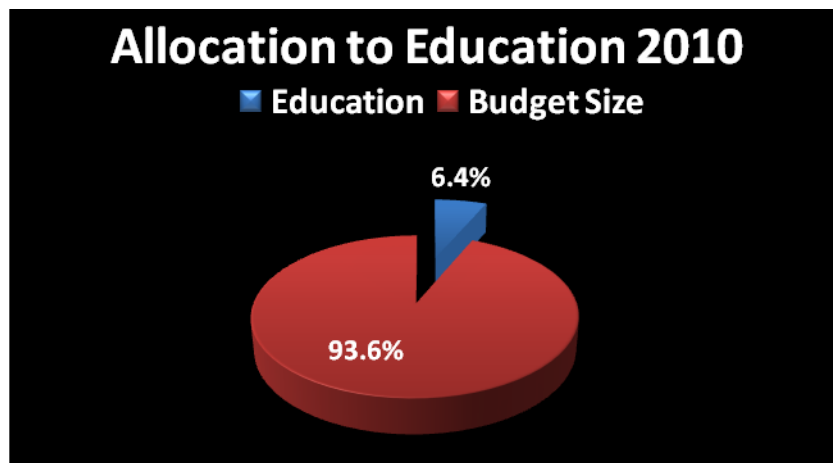
Figure 4



Education

In 2009, the education sector was allocated ₦10.7billion which amount to 3.8% of the total budget size. In 2010, the allocation was ₦18.4 or 6.4% which represented a ₦7.7billion nominal increase in allocation. When inflation is factored in, however, the increase amounts to ₦5.4billion. Though this increase is appreciable and indicates a fresh commitment to education, it however does not reflect well on the priority of the government when considered within the

Figure 5



framework of the overall budget size and the bold policies of the government in the area of education. It certainly does not meet internationally accepted standards for development in the sector. Akwa Ibom state which is still considered 'educationally disadvantaged' needs to allocate a greater percentage of its resources to education if it is to reverse the negative trends recorded.

Health

The health sector was allocated N9.7billion in 2009 which was 3.4% of the total budget. The allocation was nominally increased to ₦10.1billion in 2010 which amounted to 3.5% of the total 2010 budget. This indicates a ₦0.4billion or 4.1% nominal increase to the sector. When this figure is calculated against an annual inflation rate of 14%, there is instead a 8.2% decrease in allocation to the health sector between 2009 and 2010. This, points to the fact that the state has either reversed its policy in the area of health or has failed to match its policy priorities with adequate allocations. A trend that records reduced allocation to the area of health can certainly not bring about the 'healthy populace' that the administration desires.

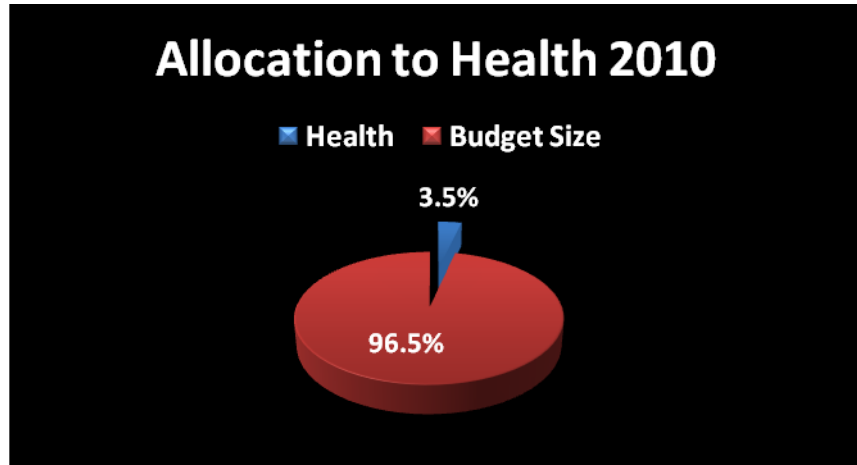


Figure 6

General Administration

While the sectors of education and health receive a cumulative share of 9.9% of the overall budget, general administration is allocated ₦43.7billion or 15% of the budget. The case was the same in the previous year where general administration was allocated ₦64.3billion or 27.5% of the overall budget. It is disturbing that while the policy statement of the administration claims emphasis on the critical sectors of the state, the allocation preference is in far less areas. The exact placement and import of general administration is still a matter of budget debate.

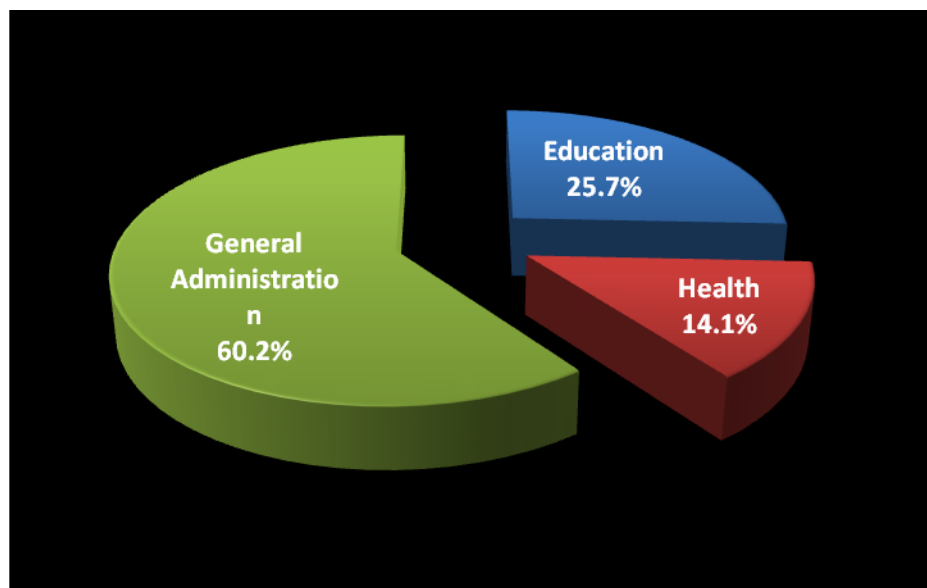


Figure 7: Allocation to General Administration.

MONITORING REPORT

Ibom Science Park, Uyo	
Sector	Education
Beneficiary	The people of Akwa Ibom state
Approved Estimate	₦2,500,000,000
Monitoring Report	At the site it was discovered that work on the project which started under the immediate past administration stopped in 2007. The entire site was overgrown with bushes even as there was no sign of the proposed landscaping and installation of facilities, road network and drainages. None of the structures there have reached completion. Only a couple of security workers were seen on the premises. Uncompleted gigantic edifices littered the project site.



Ibom Science Park as at October 2010

Construction of 4 No. Two Storey 15 One Bedroom Flat House Officer's Residential Quarters at Saint Luke's Hospital (and 3 others at Eket, Oron and Ikot Ekpene)	
Sector	Health
Beneficiary	Annua
Approved Estimate	₦ 350million
Monitoring Report	At the Saint Luke's hospital the team could not find any such building under construction. Staff at the Hospital had no idea of the budgetary provision. Some staff of the hospital who spoke to the team lamented the poor conditions under which they worked noting that there was no new physiotherapy unit in the hospital

	even as the old one was lacking basic facilities.
Establishing of Physiotherapy Unit at St. Luke's General Hospital Anua (and 4 others at Ikot Ekpene, Uyo, Oron and Eket)	
Sector	Health
Beneficiary	Annua
Approved Estimate	₦ 25million
Monitoring Report	At the Saint Luke's hospital Staff had no idea of the budgetary provision. Some staff of the hospital who spoke to the team lamented the poor conditions under which they worked noting that there was no new physiotherapy unit in the hospital even as the old one was lacking basic facilities.
Construction of New Buildings, 8 Classroom Block, Perimeter Fencing, Purchase of Vehicles, Provision of Facilities, etc at Technical College Uyo, Abak, Ikot Akata and 3 others	
Sector	Education
Beneficiary	Uyo, Abak and Ikot Akata
Approved Estimate	₦ 300million
Monitoring Report	<p>When NDCBP team visited the Technical College Uyo, it was observed that the school has an old perimeter fence that covered only a part of the school's premises. The school had no refectory, and the students had their meals from a make-shift structure as there was no kitchen. There were over 200 bicycles with which students came to school. Contrary to the claim that school buses had been provided, staff and students who volunteered information to the Team denied the existence of any new block of classrooms constructed by the state government this year.</p> <p>At the Technical College Abak, NDCBP visit revealed that the school still lacked basic infrastructure like classroom blocks, hostels and laboratory. 7 of the 8 blocks in the school were badly dilapidated. Staff and Students who spoke with the team denied the supply of any boarding facilities or transport buses. There was no sign of any of the budgetary targets.</p> <p>At the Technical College Ikot Akata, none of the budgeted targets were executed.</p>



Hostel Building and Physics Lab. At Technical College Abak as at October 2010.

Millennium Specialist Hospital, Ekit Itam, Uyo (and others)	
Sector	Health
Beneficiary	Uyo
Approved Estimate	₦ 3.1billion
Monitoring Report	When NDCBP visited the project site in Uyo, it noted skeletal work going on. Progress was not significantly different from that observed during monitoring in the previous year.
Renovation and Rehabilitation of Buildings in Primary Health Centre, Mbiabong Etoi (and others)	
Sector	Health
Beneficiary	31 Local Government Areas
Approved Estimate	₦1Billion
Monitoring Report	At the project site, rather than a renovation, NDCBP observed the construction of a new building with work at an advanced stage. However, the business of the health centre was still being run from two rooms at the Community Primary School.



Primary Health Centre, Mbiabong Etoi as at October, 2010

Construction of Perimeter Fence at General Hospital, Ikot Ekpaw (and 7 Others at general Hospitals Oruko, Cottage Hospital Asong, Ikot Eko Ibon, Ikot Edibon, Ikot Nkpene Odot and Awa.)	
Sector	Health

Beneficiary	Ikot Ekpaw
Approved Estimate	₦100million
Monitoring Report	At the General Hospital, NDCBP noted that no fence had been constructed.



General Hospital Ikot Ekpaw as at October 2010

Provision of Water Bore Hole at Health Institution in Akwa Ibom State.	
Sector	Health
Beneficiary	Health Institutions
Approved Estimate	₦30million
Monitoring Report	On visit to the General Hospital Ikot Ekpaw, the Team was shown a functional water bore hole whom the staff said was a project of the State Government, drilled in the fiscal year. NDCBP Independent Evaluator puts its value at ₦1.4million
Establishment of Model Science Secondary School, Ekparakwa (and 6 others at Atabrikang, Ishiet, Ekim, Ikot Akpadem etc.)	
Sector	Education
Beneficiary	Ekprakwa
Approved Estimate	₦ 500million
Monitoring Report	When NDCBP visited the project site, it found a nearly completed Model School complete with sports section etc., but abandoned in what had become a dense forest. Community persons who talked with members of the Team said the project had been abandoned since 2007 and that most of the facilities installed had been looted over the years.



Abandoned Model Secondary School Construction, Ekparakwa as at October 2010

Provision of Free Exercise Books and Textbook	
Sector	Education
Beneficiary	Akwa Ibom State Students and Pupils
Approved Estimate	₦ 1billion
Monitoring Report	NDCBP visit to a selection of primary and secondary schools revealed that students and pupils had not benefited from the budgetary provision. Staff of the schools had no knowledge of such plan.
School Feeding Programme	
Sector	Education
Beneficiary	Akwa Ibom State Students and Pupils
Approved Estimate	₦300million
Monitoring Report	NDCBP visit to a selection of Primary and Secondary Schools revealed that Students and Pupils had not benefited from the budgetary provision. Staff of the schools had no knowledge of such plan.
Provision of Boarding Facilities in Secondary School	
Sector	Education
Beneficiary	Akwa Ibom State Students and Pupils
Approved Estimate	₦ 1billion
Monitoring Report	None of the Schools visited by the NDCBP team had benefitted from the budgetary allocation.
Transportation to and from School	

Sector	Education
Beneficiary	Akwa Ibom State Students and Pupils
Approved Estimate	₦ 195million
Monitoring Report	NDCBP visit to a selection of Primary and Secondary Schools revealed that Students and Pupils still transported themselves to and from school, either on foot, or on bicycles. No buses had been dedicated in actualization of this budgetary provision.

Conclusion

It could be concluded from the figures and analysis above, that Akwa Ibom State has not adequately positioned its fiscal policy to achieve sustainable development. Despite its mission statement of achieving a diversification of its economy from oil revenue, actual practice provides for continued dependence on oil dictated federal transfers, with the consequences of its volatility and instability. From its fiscal policy, the state has not showed commitment to bringing about the much needed development in the education and the health sectors.

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.
- Budget documents should be made public and accessible.
- Budgets should be drafted with care to avoid ambiguity and repetitions
- Budgets should be strictly adhered to in implementation
- Appropriated funds should be duly expended according to the budget

On the State's Revenue Base

- Alternative sources of revenue (especially internally generated revenue) should be seriously explored.

On the Key Sectors

- Government should back its policy thrust with adequate funding
- The health and education sector should be closely administered to reverse the negative trends that have been noted.
- The trend of giving an overwhelming portion of the budget to 'general administration' should be discontinued.

BAYELSA STATE

Total Budget for 2010	₦187.5 billion
Total Capital Votes	₦68.1 billion
Total Recurrent Votes	₦119.4 billion
Total Capital Votes for Education	₦7.9 billion
Total Capital Votes for Health	₦3.7 billion
Total Capital Votes for General Administration	₦9 billion

Bayelsa State has a landmass of 11,109 km² and was inhabited by a population of 1.7 million people at the time of the National Population Census of 2006. Almost half of the State's landmass is made up of mangrove forest while the rest are freshwater swamp forest and lowland rain forest to the north of the Atlantic coast. Bayelsa State was carved out of Rivers State in 1996. As an oil bearing state, Bayelsa benefits from the constitutional provision that 13% of revenue derived from oil be paid to states of extraction. This makes Bayelsa State one of the highest revenue earners from the Federation Account. However, the difficult terrain makes construction costs significantly higher than most parts of Nigeria.

In 2010, Bayelsa State budgeted ~~₦~~187.5 billion with 64% of the amount going to recurrent expenditure, leaving a balance of 36% to service the capital budget.

The vision of the Bayelsa State Government in 2010 is encapsulated in the statement below, credited to the Executive Governor of the state, Chief Timipre Sylva:

“The vision I share with all Bayelsans is the creation of a prosperous, secure and unified Bayelsa State. Prosperity means ensuring (that) access to good quality health care and education services are equally available to all Bayelsans... the people of Bayelsa State will enjoy affordable housing, comprehensive education, and high standards in health care, job training and expanding opportunities for employment”

The policy direction of the State is also revealed in the Bayelsa State Sustainable Development Strategy (BYSSDS) document and is 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.

Budget Transparency

Of all the states covered in the course of the NDCBP's budget analyses, Bayelsa State seemed the most promising in terms of budget transparency as at 2009. Bayelsa State was the first state in the Niger Delta and

perhaps in Nigeria to place its annual budget on the web for public access. This was a commendable trend that marked a shift from the era of secrecy. However, as have been noted in previous reports by the NDCBP, the show of transparency as reflected in the web publication of budgets did not translate to transparency with data on budget performance and other relevant fiscal documents.

It is equally important to note that the process of budget making was still not participatory in 2010. The majority of citizens were 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 may not truly reflect the development priorities and aspirations of the people.

Table 3: Bayelsa State Projected Revenue Sources 2010

Revenue Source	Approved Estimates,2010
STATUTORY ALLOCATION	₦82,269,145,000
VALUE ADDED TAX	₦5,417,000,000
INTERNALLY GENERATED RECURRENT REVENUE	₦4,414,000,000
CAPITAL RECEIPTS	₦95,448,895,263.59
TOTAL REVENUE BUDGET	₦187,549,040,263.6

Source: Bayelsa State Budget 2010

Table 4: Evolution of Revenue Estimates

2007	₦117,420,699,542
2008	₦123,300,000,000
2009	₦124,247,923,251
2010	₦187,549,040,263.6

Source: Bayelsa State Budgets 2007, 2008, 2009 and 2010

From the tables above, Bayelsa estimated a total revenue of ₦187.5billion in 2010. When this figure is calculated against that of the previous year, there is a ₦63.3billion or 51% nominal rise. When the same figure is calculated against an annual inflation rate of 14%, the figure stands at ₦40.3billion or 32.4%. Between 2007 and 2010, there is a ₦70.1billion or 59.7% nominal growth. When the same figure is calculated against an annual inflation rate of 14%, the real figure stands at ₦ 9.1billion or 7.8% growth. On the surface, this indicates a more robust economy for the state. It is, however, disheartening when the figures are compared to actual accrual from the Federation Account upon which the figures are contingent.

While in 2008 Bayelsa state estimated total revenue of ₦123.3billion, it actually received ₦152billion which is an excess of ₦28.7billion or 23%. By all calculations, this is a positive development. Under best practices, it would be expected that the next year's budget (2009) would start with an opening balance of N28.7 billion representing the excess, but this was not the case.

In 2009, Bayelsa State estimated a total revenue of ₦124.2billion. However, data made available by the Revenue Mobilization, Allocation and Fiscal Commission shows that actual receipt from the Federation Account for the whole year was only ₦59billion, creating a budget deficit of N65.2billion.

The above scenario raises questions as to the ability of the Bayelsa State government to attract its 2010 estimated revenue of ₦187.5billion. Again, records from the Revenue Mobilization, Allocation and Fiscal Commission show that as at June 2010, only ₦42.7billion had accrued to the state from the Federation Account. If the monthly flow remained the same for the remainder of the year, Bayelsa State would have

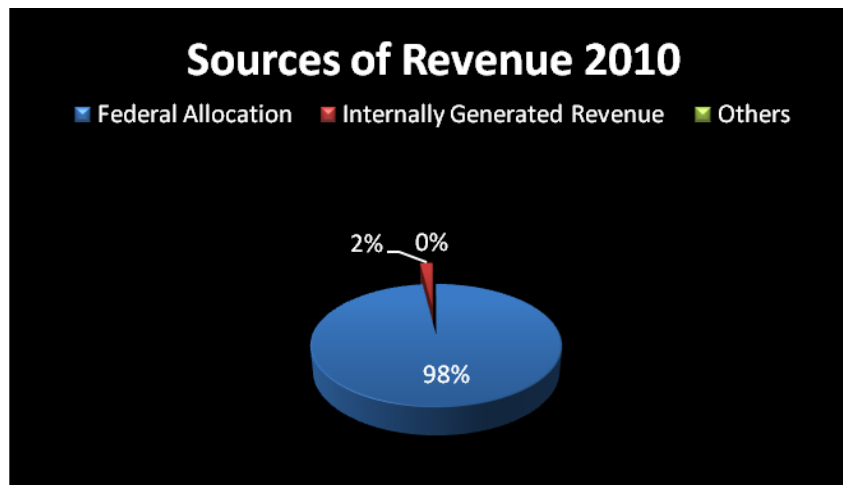
only been able to receive N85.4billion from the Federation Account. This will mean an alarming deficit of ₦102.1billion or 119.6%.

Table 5: Evolution of Revenue Sources

SOURCES	2010	2009	2008	2007
Federation Account (FAAC)	98%	88%	92%	99%
Internally Generated Revenue (IGR)	2%	9%	4%	0%
OTHERS	0%	3%	3%	0%

Source: Bayelsa State Budgets 2007, 2008, 2009 and 2010

Figure 8: Bayelsa State Sources of Revenue, 2010



This again brings to the fore the danger of dependence on federal transfers, which are themselves essentially predicated on the sale of crude in the international oil market as well as all the volatility that comes with it. Since, as indicated above, Bayelsa state relies almost exclusively on federal transfers, it is susceptible to sharp change in fiscal fortunes, causing problems for middle and even short term planning.

From the Table 5 above on the evolution of revenue sources, it is clear that rather than explore avenues of diversifying the resource base of the state, Bayelsa state is further plunging itself into uncertainty. Internally generated revenue, which was to account for 9% of the 2009 revenue, drops drastically to 2% in 2010.

RECURRENT AND CAPITAL EXPENDITURE

Figure 9

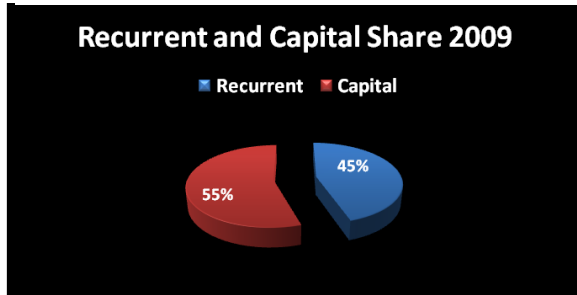


Figure 10

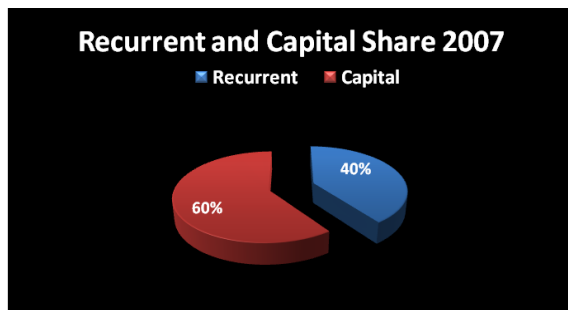
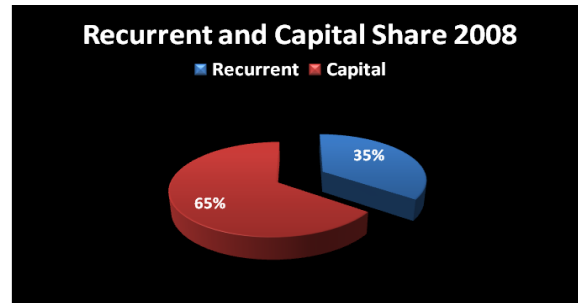


Figure 11

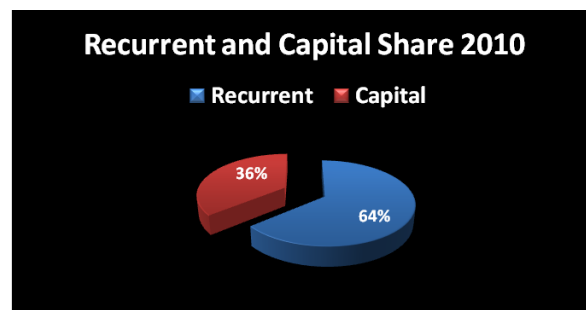


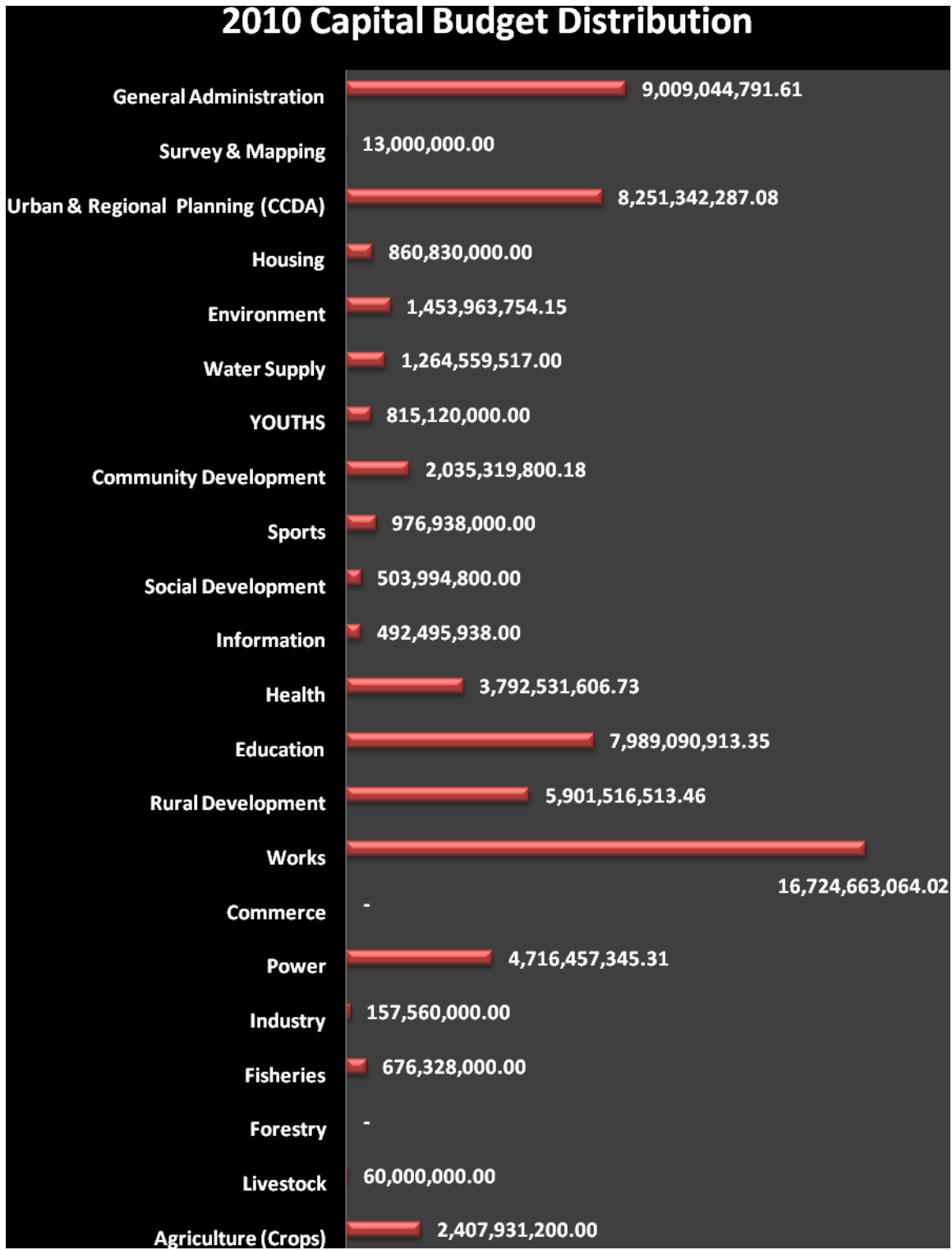
Figure 12

Evolution of Recurrent and Capital Expenditure

In 2007, 40% of the total expenditure was dedicated to recurrent spending, while in 2008, the figure reduces to 35%. However in 2009, there was a rapid rise in the recurrent profile to 45%. In 2010, the share of recurrent expenditure to the total budget became alarming with 64% going to recurrent expenditure and only 36% remaining for capital projects. It was, perhaps, because of this concern that the government embarked on a biometric identification exercise for civil servants in the state. According to the Bayelsa State Due Process Office, the exercise revealed that a great chunk of the state's recurrent expenditure was lost to 'ghost workers'. It is however worrisome that despite the removal of ghost names from the pay schedule of the state, the recurrent profile increased alarmingly rather than reduce. NDCBP is not aware of any person who has been prosecuted in connection with the 'ghost worker' occurrence.

On the other hand, a closer look at the details of recurrent expenditure for 2010 shows that recurrent expenditure remained essentially the same when compared to the 2009 figures. According to figures in the budget, the sharp increase is due principally to a public debt payment of ₦56.5 billion.

Figure 13

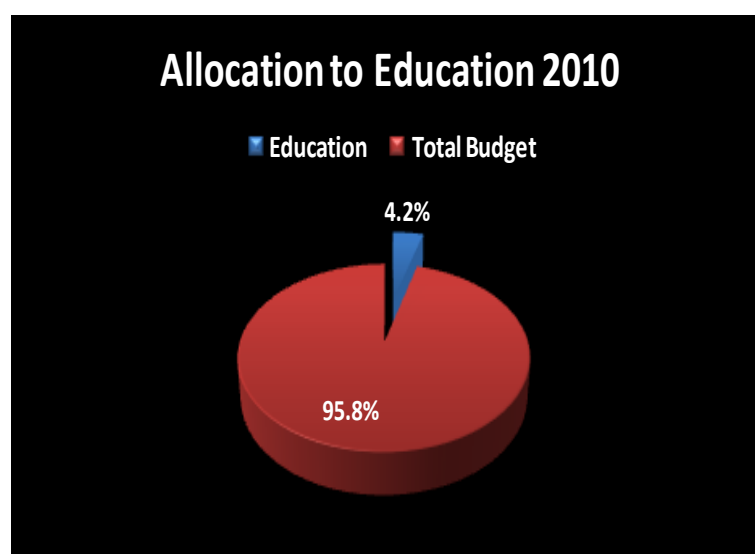


Source: Bayelsa State Budget 2010

Table 6: Percentage Share of Capital Expenditure 2010

Agriculture (Crops)	3.5%
Livestock	0.1%
Forestry	0.0%
Fisheries	1.0%
Industry	0.2%
Power	6.9%
Commerce	-
Works	24.6%
Rural Development	8.7%
Education	11.7%
Health	5.6%
Information	0.7%
Social Development	0.7%
Sports	1.4%
Community Development	3.0%
YOUTHS	1.2%
Water Supply	1.9%
Environment	2.1%
Housing	1.3%
Urban & Regional Planning (CCDA)	12.1%
Survey & Mapping	0.0%
General Administration	13.2%

Education

**Figure 14: Bayelsa State Allocation to Education, 2010**

In the 2010 budget of Bayelsa state, there is a decline in allocation to the key sector of education. The budget allocates ₦7.9billion to education sector representing 11.7% of the capital budget size. When this figure is calculated against the previous year's allocation, there is a 33.1% reduction. However, when inflation is factored in, there is a 41.5% reduction. The facts of the figure indicates either a policy shift or a loss of interest in the education sector especially when it is analysed within the context of the government's vision of ensuring that

quality 'education services are equally available to all Bayelsans'. Between 2007 and 2010 there has been a ₦6.5billion or 45.1% nominal reduction in allocation. In real terms however, there has been a ₦9.1billion or 63.2% reduction over the period.

Aware of the known education gaps that causes Bayelsa state to be identified as an 'educationally disadvantaged' state by the Federal Ministry of Education, one would expect that rather than reduce

allocation to the sector, the more ideal fiscal direction would be to steadily increase allocation to the sector until the education gaps are adequately addressed.

Health

In the 2010 budget, there was a drastic decline in allocation to the health sector. While the sector received ₦9.7billion in the 2009 allocation, the figure reduces to a meagre ₦3.7billion in 2010, representing only 5.6% of the total capital budget and 2% of the overall budget. The figures above indicate a nominal reduction of ₦6billion or 61.9% to the health sector. In real terms, the allocation is a reduction of 67%.

Considering that the health sector is one that touches on all citizens of the state, the allocation represents a per capita ration of ₦2,225 to each of the 1,704,515 residents (2006 census figure) of Bayelsa state. Analysing this fact within the contest of the administration's 'commitment to 'ensuring access to good quality health care' and '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 promoting health tourism', there is a clear policy and fiscal dislocation. If, for anything, the scale of reduction in allocation and the low allocation to the health sector can only ensure the opposite of the policy statement: denying health care to the vast majority of citizens.

Figure 15

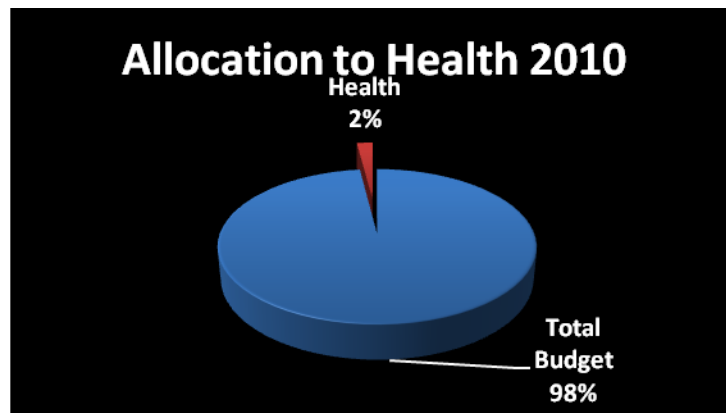
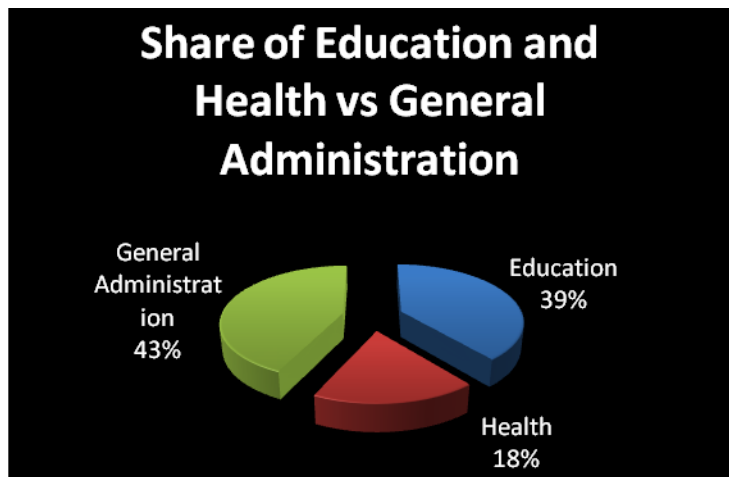


Figure 16



When the allocation to health is considered alongside those to other less vital sectors like General Administration, the facts seem to give the impression that the State Government is more committed to administration than it is to health.

Of similar concern also is the fact that a key sector like commerce which has the potential of playing a vital role in the state's much needed revenue diversification is not given any allocation at all. In 2009, commerce was allocated 1.5% of the overall budget, while in 2010, the government seems to have completely lost

interest in the sector.

MONITORING REPORT



Health Centre In Emeyal



'Children's Ward' in Community Health Centre Emeyal 2 as at October 2010



Supply of Equipment to Modern Cottage Hospital, Opolo	
Sector	Health
Beneficiary	Opolo Community
Approved Estimate	₦326 million
Monitoring Report	The Cottage Hospital already benefitted from ₦1.7billion and ₦700million allocations in 2008 and 2009 respectively. On visit to the facility, NDCBP was informed that the construction had been completed in July 2009. However, due to security refusal to grant access, NDCBP team could not gain access into the hospital to verify if the medical equipment had been supplied. On the other hand, there seems to be reasonable grounds to assume that the supplies have not been done as the hospital is still not in use 16 months after its completion.

Health Centre In Otuokpoti as at October 2010

Renovation/ Rehabilitation of Health Centre	
Sector	Health
Beneficiary	Otuopkoti, Emeyal, Emeyal II, Famgbe etc
Approved Estimate	₦210 million
Monitoring Report	<p>NDCBP Investigation revealed that the intervention was for the renovation of health centres in 17 different communities in the state. During a visit to the state Ministry of Health, NDCBP gathered that only 5% of funds appropriated for the Ministry in 2010 had been released as at October 2010. This perhaps accounts for the absence of any work at the health centres visited by the NDCBP Team.</p> <p style="text-align: center;">EMEYAL HEALTH CENTRE</p> <p>On visit to the community, NDCBP discovered that the existing Health Centre in the community was built by LEEMP a world Bank assisted project with contribution from the community. However, the Health Centre had since ceased being functional. It had been abandoned by the health personnel, and had recently become lodging space for members of the National Youth Service Corps posted to the community. No renovation was done in the facility.</p> <p style="text-align: center;">EMAYAL II HEALTH CENTRE</p> <p>On visit to Emeyal 11 Community, NDCBP Team discovered that the Community Health Centre had not been renovated, and is only partly functional with only a few auxiliary staff, and functions only on a few specific days in the month.</p> <p style="text-align: center;">OTUOKPOTI HEALTH CENTRE</p> <p>NDCBP verified that the existing health centre in the community was built in May, 2000 by a World Bank assisted project in collaboration with the state government. Part of the building is also used as residence of Members of the National Youth Service Corps posted to the Community. No renovation had been carried out.</p> <p style="text-align: center;">FAMBGE HEALTH CENTRE</p> <p>NDCBP visit to the community revealed that the health centre has not been renovated, though in dire need of it. Medical personnel at the health centre and key members of the community had no knowledge of the budgetary provision for the health centre.</p>



Health Centre Famgbe as at October 2010

Establishment of Bayelsa State College of Education	
Sector	Education
Beneficiary	OKPOAMA, BRASS LGA.
Approved Estimate	₦130 million
Monitoring Report	NDCBP confirmed that the appropriated funds had been released for the project. On visit to the site, there was ongoing construction work. NDCBP Evaluator explained that the implementation is narrowed down to perimeter fencing and renovation of existing blocks for lecture hall, administrative building and hostel blocks previously occupied by police. He estimated work done at ₦40million and progress at 55% from completion.



Bayelsa State College of Education, Brass as at October 2010

Construction of 3 Senatorial International Model Secondary Schools	
Sector	Education
Beneficiary	OVOM-YENAGOA, SAGBAMA & NEMBE
Approved Estimate	₦2 billion
Monitoring Report	<p>NDCBP findings reveal that the project commenced in 2009 and that funds have been released to the contractors.</p> <p>Model Secondary School, Ovom At the Ovrom project site, NDCBP saw ongoing work though at very slow pace. NDCBP Evaluator noted that the present scope covers Administration Block (1 storey building), Classroom Block with 14 classrooms, ICT building, Library and Hostel. Progress of work done so far is placed at 55% valued at ₦100million.</p> <p>Model Secondary School Sagbama At the Sagbama project site, NDCBP met very low pace of work by a few construction workers. Those spoken to claimed that most of their colleagues had abandoned the site on account of lack of payment. Only three buildings are under construction at the site, with level of work placed at 45% with estimated value of ₦50million.</p>



Model Secondary School Ovom as at October 2010



Student Financing for Waec, Neco & Ntc Fees	
Sector	Education
Beneficiary	Students of Bayelsa State
Approved Estimate	₦ 120 million
Monitoring Report	Investigations by NDCBP revealed that fees for the West African O level Examination was not paid as promised by government, this lead to the none release of results of the state by WAEC. A cross section of Students preparing for various examinations in the state also revealed that they had not received any such support from the State government.

Conclusion

While Bayelsa State should be commended for its rare show of openness in the treatment of the budget document, 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. For example, the sectors of education and health are given reduced allocations. Knowing the gaps that exist in these sectors in the state, there is dire need for this trend to be reversed.

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 government should make effort at developing commerce as additional sources of revenue for the state and local government
- 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 adequate funding
- The Health and education sector should be closely administered to reverse the negative trends that have been noted.

DELTA STATE

Total Budget for 2010	Not Available
Total Capital Votes	₦217.1 billion
Total Recurrent Votes	Not Available
Total Capital Votes for Education	₦11.7 billion
Total Capital Votes for Health	₦7.9 billion
Total Capital Votes for General Administration	₦21.2 billion

Delta State was created in 1991 out of the former Bendel State. It had a population of 4.1million people, according to the 2006 national population census. Like other states in the Niger Delta, Delta State is a classic case of the paradox of plenty, an occurrence in resource rich areas where rather than improve the lot of the people, revenue from such resources have instead fuelled instability and poverty . Endowed with an abundance of oil and gas and deriving much of its revenue from that source, the State has been plagued by internal conflict assuming both ethnic dimensions and national significance. In the last decade, Delta State recorded perhaps the highest occurrence of ‘militant’ activities, where its many creeks and water ways became ‘camps’ for recruitment and training throwing the state into periods of insecurity. However, with the Federal Government’s Amnesty programme in 2009, a period of calm was established, providing an opportunity for the government to address some of the core issues that led to the crises, namely educational, health and infrastructure reforms in the state.

In 2010, ~~₦~~217.1 billion was provided for capital expenditure. The budget available to the Niger Delta Citizens and Budget Platform does not include recurrent expenditure.

Access to Budget and Citizens Participation

At the beginning of its 2010 budget intervention, the NDCBP sent letters to governments of Akwa Ibom, Bayelsa, Delta and Rivers State, requesting copies of approved budgets for the year. While the governments of Akwa Ibom, Bayelsa and Rivers State released budget documents, the government of Delta State failed to respond to the request. Further pressure from the civil society Platform was met with stiff resistance from government officials. This was a continuation of a pattern of budget secrecy that has characterised governance in Delta State since the return to civil rule in 1999. Investigations by NDCBP reveal that in Delta State, citizens are not consulted throughout the budget process, neither are they allowed any oversight role in monitoring the performance of the government. This practice alienates citizens from a process which should normally start with them, and represent their interest and development priorities.

As was the case in 2009, for this analysis NDCBP used the Delta State 2010 Details of Approved Capital Expenditure Estimates, acquired informally by the NDCBP. As a result, this analysis is not privy to the details of the state’s expected revenue in 2010, recurrent profile for 2010, share of internally generated revenue and other relevant information.

However, data gathered from the Revenue Mobilization, Allocation and Fiscal Commission shows that in the 2009, the Delta State government had received at least ~~₦~~108.1billion from the Federation Account. As at June 2010, ~~₦~~85.9billion had already accrued to the Delta state government from the Federation Account. If the allocation trend continues in the remaining half of 2010, Delta State would have received substantially

more than it did in 2009, given it a greater capacity to impact on the citizens. This of course does not include other revenues from internal sources.

Policy Direction

The policy direction of the Delta State government were summarized in the 'three point agenda' namely

1. *Peace and security*
2. *Human Capital Development*
3. *Infrastructure Development*

The education and health sectors fall within 'human capital development'. Also under human capital development are a range of priorities including the state sponsored soft loans, which are given to beneficiaries without collateral. Also included are programmes for skills acquisition, sports development, and a scheme for leasing of taxis.

Below is how the government defines its policy direction in the areas of education and health:

Policy Thrust on Education: Education in Delta State under SEEDs will be provided within the general guidelines of the National Policy on Education and the framework of Education For All (EFA) by the year 2015. The main policy thrusts are as follows: -

- expanding and improving comprehensive early childhood care and education, especially for the most vulnerable and disadvantaged children;*
- ensuring that all children, with special emphasis on girl child in difficult circumstances and from ethnic minorities have access to and complete free and compulsory primary education of good quality;*
- ensuring that the needs of all young people and adults are met through equitable access to appropriate learning and life-skills programme;*
- achieving a 20% reduction in the level of adult literacy by 2007, especially for women and equitable access to basic and continuing education for all adults;*
- eliminating gender disabilities in primary and secondary schools and achieving gender equality in education in literacy with a focus on ensuring girls full access to and achievement in basic education of good quality;*
- Improving all aspects of the quality of education and ensuring excellence for all so those recognized and measurable learning outcomes are achieved, especially in literacy and essential life-skills.*

Policy Thrust on Health

1. *Broadening specialized service*
2. *Control and Management of HIV/AIDS*
3. *Improving laboratory facilities for diagnosis*
4. *Improving radiological diagnosis*
5. *Providing sustainable quality drugs for healthcare services*
6. *Developing health personnel*
7. *Improving immunization coverage by strengthening routine immunization*
8. *Reducing disease burden due to malaria*
9. *Promoting gender equity and elimination of negative practices involving women*
10. *Protecting reproductive health of the citizens*
11. *Promoting effective disease surveillance*
12. *Promoting adequate Information*
13. *Strengthening State TB/Leprosy control programme*
14. *Improving access to quality, affordable and effective Health Services.*

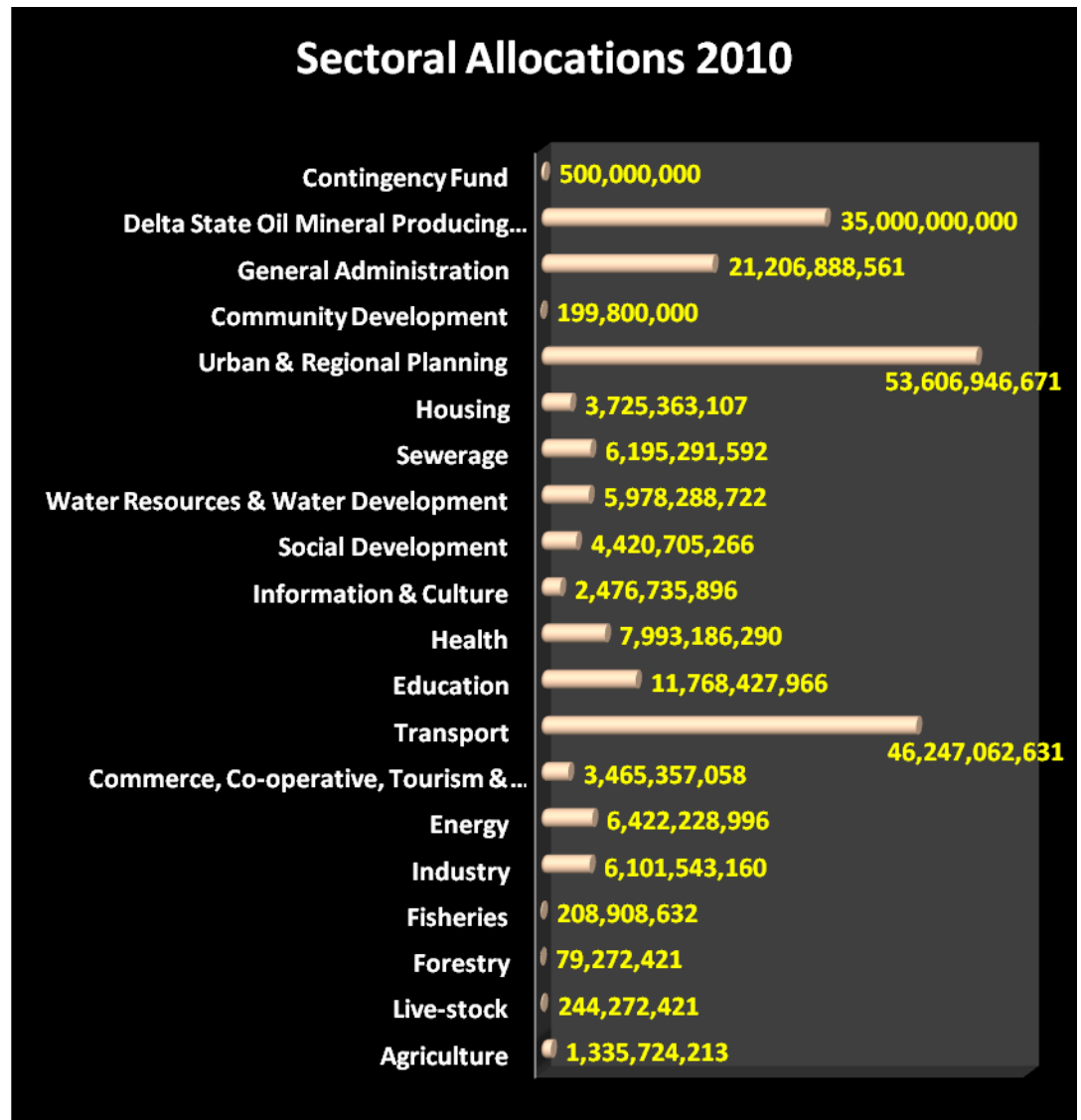
Budget Performance 2009

Though the 2010 budget does not record the performance of the 2009 capital projects, a close look at the details of the budget reveals that either the performance was dismally low or there were repetitive allocations as most of the projects mentioned had already been given allocations in previous years. However, NDCBP's 2009 budget monitoring report of randomly selected projects in the areas of education and health indicate that budget performance was less than 50%.

Capital Vote

In 2009, ₦168billion was earmarked for capital expenditure. In the preceding year (2008) the capital vote was ₦146.3billion. In 2010, ₦217.1 billion is given for capital expenditure. This figure shows that between 2009 and 2010, there was a ₦49.1billion or 29.2% increase in the capital expenditure profile. However, when an annual inflation rate of 14% is factored into the figure, the real increase is actually ₦22.4billion or 13.3%. On the average, this indicates a substantive increase in the effort of the state to meet the development challenges that confronts it.

Figure 17 : Delta State Sectoral Allocation, 2010



Source: Delta State Government Details Of Capital Expenditure Estimates 2010

Budget Duplications and Irregularities

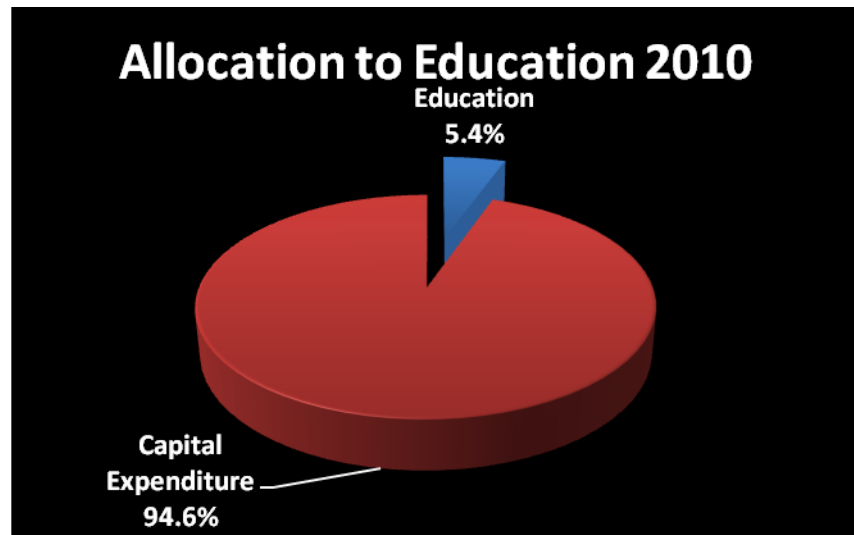
The 2010 details of approved capital expenditure contain various projects with the same target but different allocations, and some allocations made to projects with no clear targets. For example, while the budget mentioned and makes allocations for 'Renovation/Rehabilitation of Classroom blocks in the state' several other allocations are given to the Renovation/ rehabilitation of particular schools in the state. Another case is the allocation of funds for the 'Upgrading of Selected Secondary Schools (Including Model Schools) in Delta State', while funds are allocated to several secondary schools in the state for provision of computers, internet facilities, library equipment and buildings; which can be seen as upgrades on their own. Aside this, the budget goes further to allocate ₦1billion for 'Primary and Secondary School Infrastructure Development', without providing any details. These and numerous other cases in the budget give reason to conclude that it is either the budget was hastily produced or designed to provide loopholes for leakages.

Education

Figure 18

In 2009, the education sector was allocated ₦12.2billion, which amounts to 7.3% of the total capital expenditure. In 2010, the sector was allocated ₦11.7billion or 5.4% of the total capital expenditure, which shows a decrease of ₦0.5billion in allocation to the sector. When an inflation rate of 14% is factored in, the reduction amounts to ₦2billion showing a 16.4% decrease in allocation to the sector. It is not clear why the

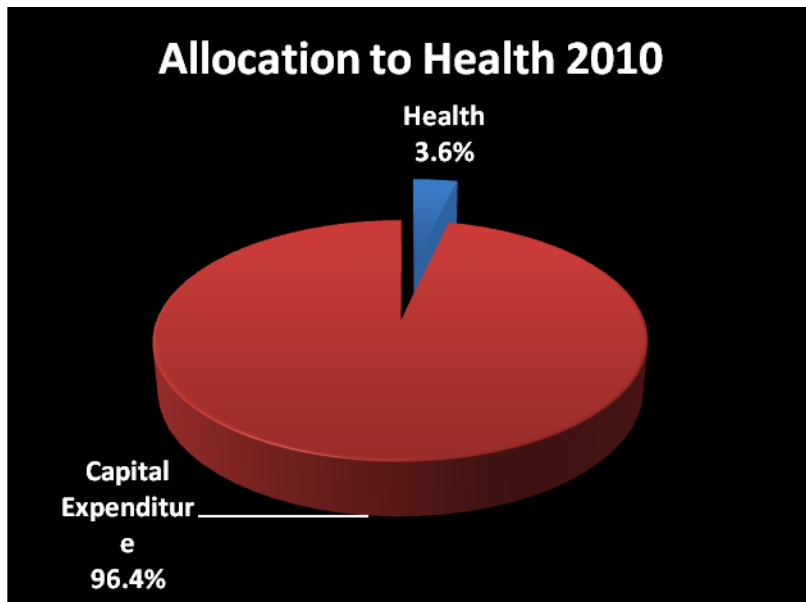
state is reducing allocation to education knowing the state's education needs and its commitment to human capital development. The reduction in allocation to education also calls to question the determination of the state to keep faith with its policy thrust. A look at the distribution of allocations shows that the emphasis of the administration is far from the education sector. Indeed, the amorphous item 'Others' specified under 'General Administration' is allocated ₦12.7billion, an allocation higher than that of education. Within the current framework, it is difficult to see how the allocations to education in 2010 can actualize the administration's target of human capital development.



Health

In the 2009 revised Details of Approved Capital Expenditure Estimates of Delta State, the health sector was allocated ₦8.0billion, which was 4.8% of the total capital budget. In 2010, health was allocated ₦7.9billion which was 3.6% of the overall capital budget. This figure shows a nominal reduction in allocation between 2009 and 2010 of ₦ 0.1billion or 1.3%. When an inflation rate of 14% is calculated against this figure, it shows a ₦1.1billion or 13.8% real drop in allocation to the health sector.

The reason for this reduced spending in the health sector in Delta State is not known by the NDCBP.



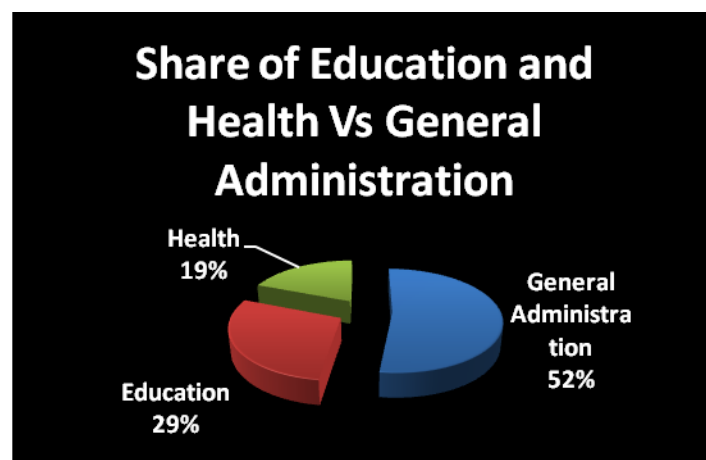
However, it is surprising that rather than steadily increasing allocation to this vital sector to meet the known health challenges in the state, there is instead a reduction of allocation. This scenario raises concerns as to the administration's sincerity and commitment to its policy thrust in the health sector and its policy of 'human capital development'.

Figure 19

General Administration

While allocations to the vital sectors of education and health are on the decrease, allocation to 'General Administration' is on the rise. In 2009, 'General Administration' received a share of ₦18.5 billion of the revised capital budget. This figure was 11% of the total capital budget. In 2010, 'General Administrations' receives an allocation of ₦21.2 billion which is 9.8% of the total capital budget, making it the 4th highest allocation in 2010.

Figure 20



The proper designation of the term 'General Administration' is still a matter of debate as much of what is often included under the heading are already covered in recurrent side or capital projects in other sectors. Whatever the case is, it is worrying that the state will allocate funds to general administration which are cumulatively higher than those allocated to education and health put together.

MONITORING REPORT

Multi-Purpose Lecture Hall, Delta State University, Abraka	
Sector	Education
Beneficiary	Delta State Students
Approved Estimate	₦ 40,000,000.00
Monitoring Report	This project was proposed in the 2009 Budget and allocated the sum of ₦117.5m. NDCBP Team visited the University's campuses 1,2 and 3 all in Abraka but could not locate this project. Senior Lecturers and officials of the University's chapter of Academic Staff Union of Universities (ASUU) as well as a cross section of students interviewed denied knowledge of any such project in the university.



Delta State University, Abraka

Construction of Faculty of Science Complex At Delta State University, Abraka	
Sector	Education
Beneficiary	Delta State University
Approved Estimate	₦50million
Monitoring Report	The project was allocated the sum of ₦100m in 2009. NDCBP findings reveal that there is no recent project in the university for the purpose. However, the University had began and abandoned a Faculty of Science Building in 2006, now overgrown with bushes.



Current Faculty of Science Building and abandoned Faculty of Science Building as at October 2010

Renovation of Science Laboratory Block At Abraka Grammar School, Abraka.	
Sector	Education
Beneficiary	Abraka
Approved Estimate	₦ 10million
Monitoring Report	This project was allocated N1.4m in 2009. Sources at the School who spoke to the NDCBP Team confirmed that the only renovation of the School's only Science Laboratory Block was an NDDC project initiated in 2008 and yet to be completed as at time of visit. The last renovation in the School according to the sources was a block of three classrooms renovated three years earlier. NDCBP noticed that the school is in dire need of renovation and facilities.



NDDC Renovated Science Block and 'Staff Room' as at October 2010

Fencing of Abavo Girls' Secondary School, Abavo	
Sector	Education
Beneficiary	Abraka
Approved Estimate	₦ 40million
Monitoring Report	As at the time of NDCBP's visit no fence was under construction in the obviously porous school. Members of Staff had no knowledge of any provision in budget in favor of the School.



Abavo Girls secondary School as at October 2010

Renovation of Teachers Quarters At St. Brigide's Secondary School	
Sector	Education
Beneficiary	Asaba
Approved Estimate	₦ 20million
Monitoring Report	The NDCBP team's visit to the school reveal that the project is yet to be implemented, and there is no indication of a plan in that regard.



Teachers 'quarters at St. Brigid's Secondary School as at October 2010

Construction of Urhruoka Modern Health Centre, Urhruoka-Abraka	
Sector	Health
Beneficiary	Abraka
Approved Estimate	₦ 5million
Monitoring Report	A community guide who conducted the NDCBP Team to the project site and who worked as a hired labourer when the project commenced confirmed that the work which stopped at the foundation (DPC) level has been left at that for several months. Judging by the layout of the project, an independent evaluator attached to NDCBP said it is not possible that the sum of ₦5m budgeted can complete the project.



Abandoned Health Centre at Urhruoka, Abraka as at October 2010

Government Hospital, Umutu, Ukwuani LGA Supply of Medical Equipment & Renovation And Upgrading of Medical Equipment	
Sector	Health
Beneficiary	Umutu
Approved Estimate	SUPPLY OF MEDICAL EQUIPMENT-₦ 23M RENOVATION AND UPGRADING OF MEDICAL EQUIPMENT-₦ 20M
Monitoring Report	On visit to the hospital, the NDCBP Team was shown a Perkins 30 KVA power generating set and a lawn mower which were recently supplied to the hospital by the state government. They further explained that some clinical appliances and an ambulance were also supplied by the government during the year. However, they insisted that no renovation work had been carried out at the Hospital during the year.



Government Hospital, Umutu, Ukwuani.

30 KVA Generating Set

FENCING AND UPGRADING OF MEDICAL EQUIPMENT AT OGBE-OBI PRIMARY HEALTH CENTRE (PHC), ABAVO-CENTRAL, IKA SOUTH LGA	
Sector	Health
Beneficiary	Abavo Central
Approved Estimate	₦25million
Monitoring Report	This project was allocated the sum of twenty-five million naira (₦ 25m) in the 2009 Budget. On the visit to this PHC, members of the Team saw well fenced premises. On enquiry the Team was however informed by staff of the Centre on duty that the fence and gatehouse were not constructed in the 2010 budget year. What was confirmed by them to be a recently executed project at the Centre is a twin two bedroom bungalow which at the time of this visit was yet to be put to use. Member of the Team were also informed that the building is to serve as staff quarters for the Centre



Ogbe Obi Primary Health Centre



Newly constructed Staff Quarters at the Health Centre

Construction of Primary Health Centre (Phc) at Isieke/Ugbomenta, Asaba, Oshimili South LGA	
Sector	Health
Beneficiary	Isieke/Ugbomenta
Approved Estimate	₦30million
Monitoring Report	All efforts to locate the site of the project proved abortive as nobody in the community has knowledge of it. A community leader in the area interacted with simply said that if there is such provision for the community, it is yet to be implemented.
Government Hospital, Ubulu-Uku	
Sector	Health
Beneficiary	Ubulu-Uku
Approved Estimate	₦ 40.7million
Monitoring Report	NDCBP was informed that the hospital was upgraded from the status of a health centre to that of a hospital. Though the team gathered that the project has been completed, they were however denied access.
Construction of Doctors Quarters, Upgrading Of Equipments and the Procurement of a New Generator Government Hospital Issele- Uku	
Sector	Health
Beneficiary	Issele Uku
Approved Estimate	₦45million

<p>Monitoring Report</p>	<p>The NDCBP team confirmed that the project has been completed and the facilities installed. NDCBP saw a newly constructed doctor's quarters and a 35KVA generator. It was also confirmed that new medical equipment including surgical facilities have been provided within the period under review.</p>
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General Hospital Issele-Uku as at October 2010

Doctor's Quarters

<p>Construction of Health Centre at Isele-Asagba</p>	
<p>Sector</p>	<p>Health</p>
<p>Beneficiary</p>	<p>Isele Azagba</p>
<p>Approved Estimate</p>	<p>₦ 100million</p>
<p>Monitoring Report</p>	<p>The 2010 Delta State budget provides for the construction of a Health Centre, fencing and landscaping. On visit, NDCBP noted that 85% of the construction work has been done. However, there is no indication of fencing work and landscaping.</p>



Construction of Health Centre at Asagba as at October 2010

Conclusion

While the Delta State government seeks in its policy thrust to develop human capital, its fiscal provision in 2010 does not demonstrate such a commitment. The key sectors are given reduced allocation while seemingly less important ones get the bulk of the capital estimate. Cases of repetitions in the budget are also an indication of either a nonchalant and haphazard budget making process, or an indication of carefully crafted avenues for funds diversion. Whatever the case may be, it will be difficult for the state to achieve its development priorities given the prevailing fiscal realities.

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.
- Budget documents should be made public and accessible.
- Budgets should be drafted with care to avoid ambiguity and repetitions.
- 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 adequate funding.
- The Health and education sector should be closely administered to reverse the negative trends that have been noted.

RIVERS STATE

Total Budget for 2010	₦429 billion
Total Capital Votes	₦339 billion
Total Recurrent Votes	₦90 billion
Total Capital Votes for Education	₦70 billion
Total Capital Votes for Health	₦18 billion
Total Capital Votes for General Administration	₦16.3 billion

The government of Rivers State budgeted the sum of ₦429 billion for the 2010 budget year to address the multifaceted development challenges of the state. Perhaps the best introductory background to Rivers State is that presented by the Rivers State Governor, Chibuike Amaechi, as part of his 2010 budget speech;

'In terms of population, Rivers State is 6th in the Federation and higher than 131 countries in the world. The State is by population as big as Denmark, Norway, Singapore, and Ireland and bigger than Botswana, Namibia, and Liberia just to mention but a few. She produces about 40% of Nigerian crude and 100% of her gas export. Coupled with her marine and rich agricultural potentials, she is in resources richer than many countries in the world. But there is a paradox which has continued to remain a challenge, i.e. high level of contribution to the country's GDP and foreign earnings not reflected in the domestic economy. Our economy is still at the subsistence level; income is low and characterized by high unemployment. Most of the economic activities are still at the informal sector and mostly centered on rural agriculture'.

It can only be added that Rivers State benefits from the 13% principle of derivation which requires the allocation of a 13% share of oil revenue to the state of their extraction. By this, Rivers State emerges among the highest earners of revenue from the Federation Account in Nigeria.

These facts notwithstanding, Rivers State has fared very poorly in all development indicators. Prone to internal conflict and 'militancy', Rivers State has been a flashpoint of crisis and restiveness, quite often leading to armed exchanges between the government security forces and individuals and groups who feel left out of the largesse of the state. Like other oil endowed states in Nigeria, oil wealth over the years has not translated into tangible betterment in the fortunes of the citizens. Rather, most hitherto existing infrastructure in the state steadily deteriorated to levels of utter disrepair. This trend has been fuelled by a culture of fiat and corruption leading to the creation of vast private estates of wealth by former government functionaries, at the expense of the commonwealth.

Policy Thrust

In presenting the 2010 Appropriation Bill to the Rivers State House of Assembly, the State Governor captured the relevant policy thrust of the Government as follows;

- **Completing the ongoing projects in the critical sectors**

- **Shifting focus of implementation from resource commitment to monitoring of actual deliverables expected from MDAs**
- **Strengthening government institutions and Improving competences and capacities in the public service for effective governance and service delivery**
- **Vigorously pursuing the public expenditure management (PEM) reform programme with strong emphasis on budget/planning reform process using the Medium Term Expenditure framework (MTEF) model**
- **Strengthening the monitoring process to generate continuous flow of reliable data on budget implementation and status of projects**

Access to Budget and Citizens Participation

At the beginning of its 2009 budget intervention, the Niger Delta Citizens and Budget Platform (NDCBP) sent letters to two key government offices requesting for the 2009 budget of Rivers State, as approved by the State House of Assembly. Up till the end of the year, the Platform received no response to this request. The Rivers State government, however, released copy of the 2010 budget to the NDCBP, upon fresh requests in early 2010, in which a number of international transparency and development groups were copied.

In 2009, the Rivers State Government had published a summary of its 2009 budget on the state official website. In 2010 there seemed to be an attempt to publish the full document, but what was readily accessible was the budget speech of the Executive Governor and the table of contents.

In terms of access to budget, it could be said that there has been an improvement compared to previous years. However, residents in local communities without access to internet facilities may find it difficult to access information on development plans of government.

In its budget analysis recommendations to the Rivers State Government in 2009, NDCBP had asked the government to initiate processes of involving citizens in the state's budget process. Specifically, NDCBP had recommended that citizen's input be sought in planning processes in the state as it relates to the expenditure priorities of the government. Beginning in 2010, the Rivers State government initiated a process of Town Hall Meetings across all the local government in the state where citizens were intimated of development activities and inputs were made by people present. This development is applauded as a positive step in building consensus and cohesion in economic planning of the state.

Budget Performance in 2009

In his 2010 budget speech, the Executive Governor presented a rundown of the state's 2009 revenue performance. In his words,

'...in 2009, we estimated total revenue of N328.28 billion, but in the first three quarters of the year, 2009 (January- September), actual revenue realized was N175.52 billion. The amount realized up to September represents 71.29% of the total revenue projection for the same period. This slight short fall is attributed to the drop in the federation account due to the under performance of the oil sector and the internally generated revenue as well the loss of revenue on the disputed oil wells. Further breakdown shows that N149.16 billion was collected from federation account as at September, 2009 against an estimated projection of N171.96 billion for the same period - this represents a performance of 86.74%. With regards to IGR, while the amount of N99 billion was projected for the year, as at the end of September, 2009, only N26.37 billion was collected, showing a performance of 35.52%.'

From the facts presented above certain fundamental issues are clearly discernible.

The first of these issues is that the state is still largely dependent on money accruing to it from the Federation Account. Between January and September 2009, the 2009 budget recorded a deficit of 28.71%. This disappointing trend is blamed on the loss of oil revenue due to the under performance of the oil sector, and the loss of revenue due to the award of some oil wells hitherto credited to the state. These reasons corroborate the pitfall of heavy dependence on petroleum revenues.

Figure 21

Equally significant is the fact that internally generated revenue receipt was ₦29.9billion as against the projected ₦99billion for the year. This amounted to only 30.2% return which is abysmally poor when considered against the backdrop of the known potentials of the state. The

2009 projection was a rare break from previous budgets, and indicated that there was an understanding of the need to boost the internal sources of revenue generation. However, the level of performance indicates that the administration failed in this regard by 69.8%.

It is perhaps for this reason that the government in 2010 reduced its expectation from internal sources to ₦93.5billion which represents 21.79% of the budget revenue, representing a decline in revenue independence on the part of the Rivers State Government.

NDCBP's 2009 Budget Monitoring Report revealed that in project implementation, impressive value for money was lacking, as it was discovered that execution of capital projects could not justify the funds committed. Perhaps it is this reality that caused the government to emphasize that in 2010 there *'shall be a shift of focus in project implementation from resource commitment to monitoring of actual deliverables expected from MDAs as well as strengthening the monitoring process to generate continuous flow of reliable data on budget implementation and status of projects'*

Be it as it may, the Rivers Government could be said to have engineered a paradigm shift in governance, at least in comparison to what hitherto obtained here and other states of the federation. The extensive physical transformation reflected in the building of health centre and model schools as well as other infrastructures in the state is no doubt tantamount to Government's improved service delivery to the people of the state.

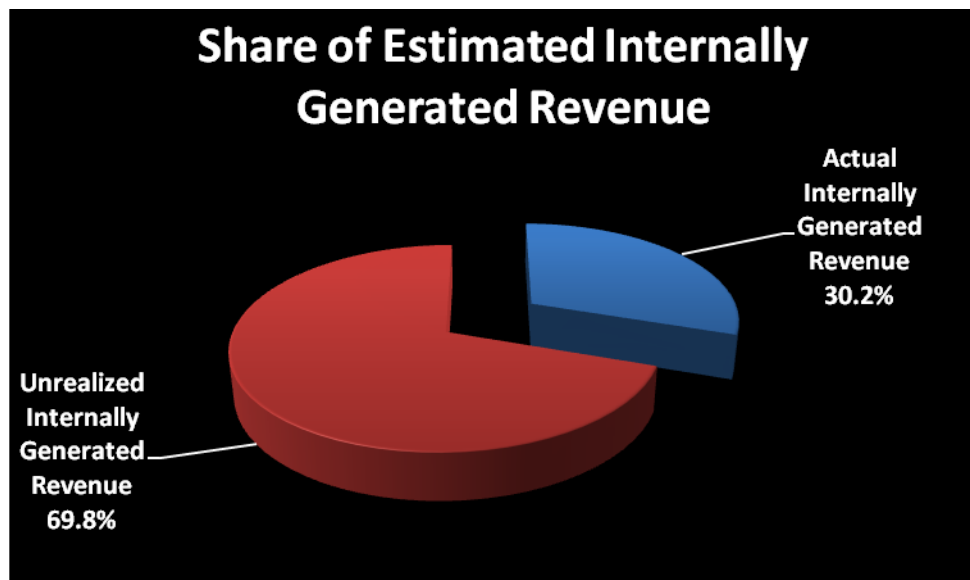


Table 7: Rivers State Government Revenue 2010

S/NO.	Details of Revenue	Revenue Estimates 2010 (₦)	Approved Revenue Estimates 2009 (₦)	Actual Revenue Receipt Jan-Nov., 2009 (₦)
1	Statutory Allocation	30,000,000,000	24,250,000,000	22,604,520,419.21
2	Mineral Fund (13%)	156,000,000,000	123,430,000,000	90,483,060,922.86
3	Excess Crude Oil Fund/Arrears	80,451,498,202	73,600,000,000	70,587,312,307.50
4	Value Added Tax (VAT)	9,000,000,000	8,000,000,000	7,403,897,237.20
5	Reserved/Ecological Fund/Arrears	50,000,000	-	-
6	Internally Generated Revenue (IGR)	93,498,501,798	99,000,000,000	29,911,349,623.03
7	Gas	-	-	-
8	Others	-	-	-
9	Capital Receipts	-	-	-
10	2009 Unspent Revenue	60,000,000,000	104,000,000,000	-
	TOTAL AVAILABLE TO FUND THE BUDGET:	429,000,000,000	432,280,000,000	220,990,140,509.80

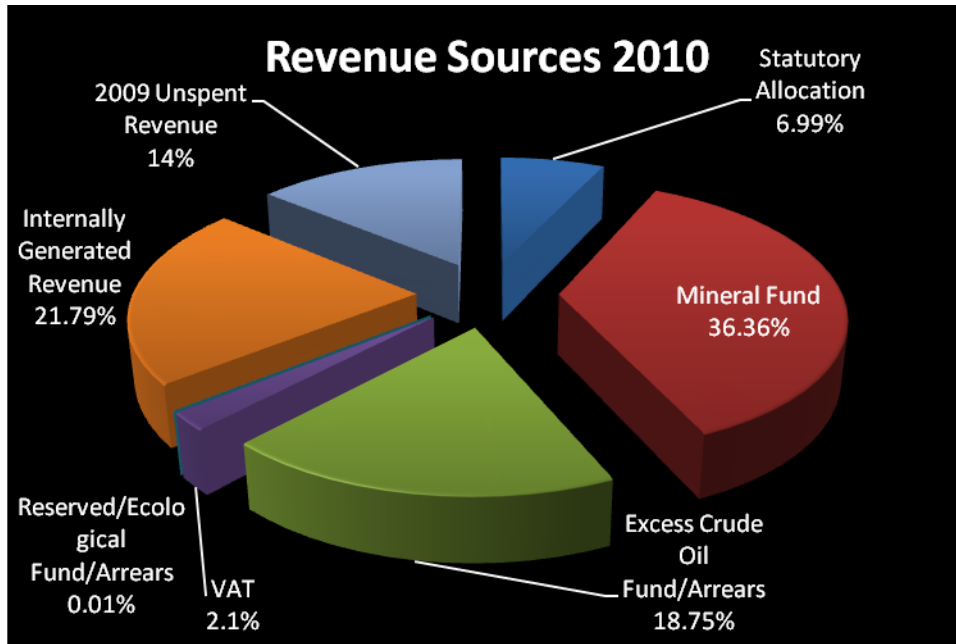
Source: Rivers State Budget 2010

Table 8: Share of Revenue Sources 2010

Federal Allocation 2010 (statutory allocation, 13%, VAT, etc)	Internally Generated Revenue 2010 (IGR)	Rivers State Government Savings in 2009
N275.50billion	N93.50billion	N60.00billion

Total = ~~N~~429.00billion

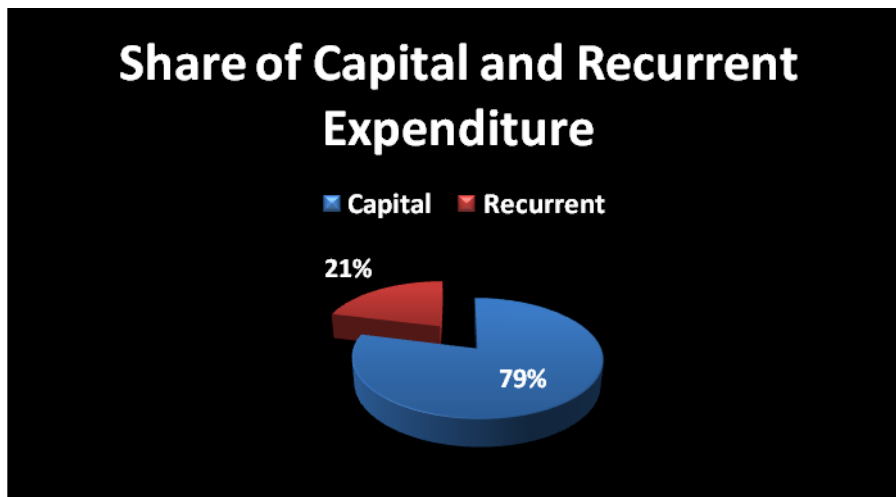
Figure 22



Information presented above indicates that the 2010 budget revenue estimate is lower than that of 2009, which was N432.28 billion. At a nominal level, the decrease is ₦3.28b or 0.8%. When inflation is factored in at 14%, the real decrease in the overall budget size stands at N55.96b or 12.9%. This reflects a reduced spending capacity by the government. This reduction can be attributed to the unsatisfactory returns the state suffered in 2009. In his budget speech, the State Governor stated that the reduction is predicated *'on the need to operate a realistic balanced budget'*.

Recurrent and Capital Expenditures

Figure 23

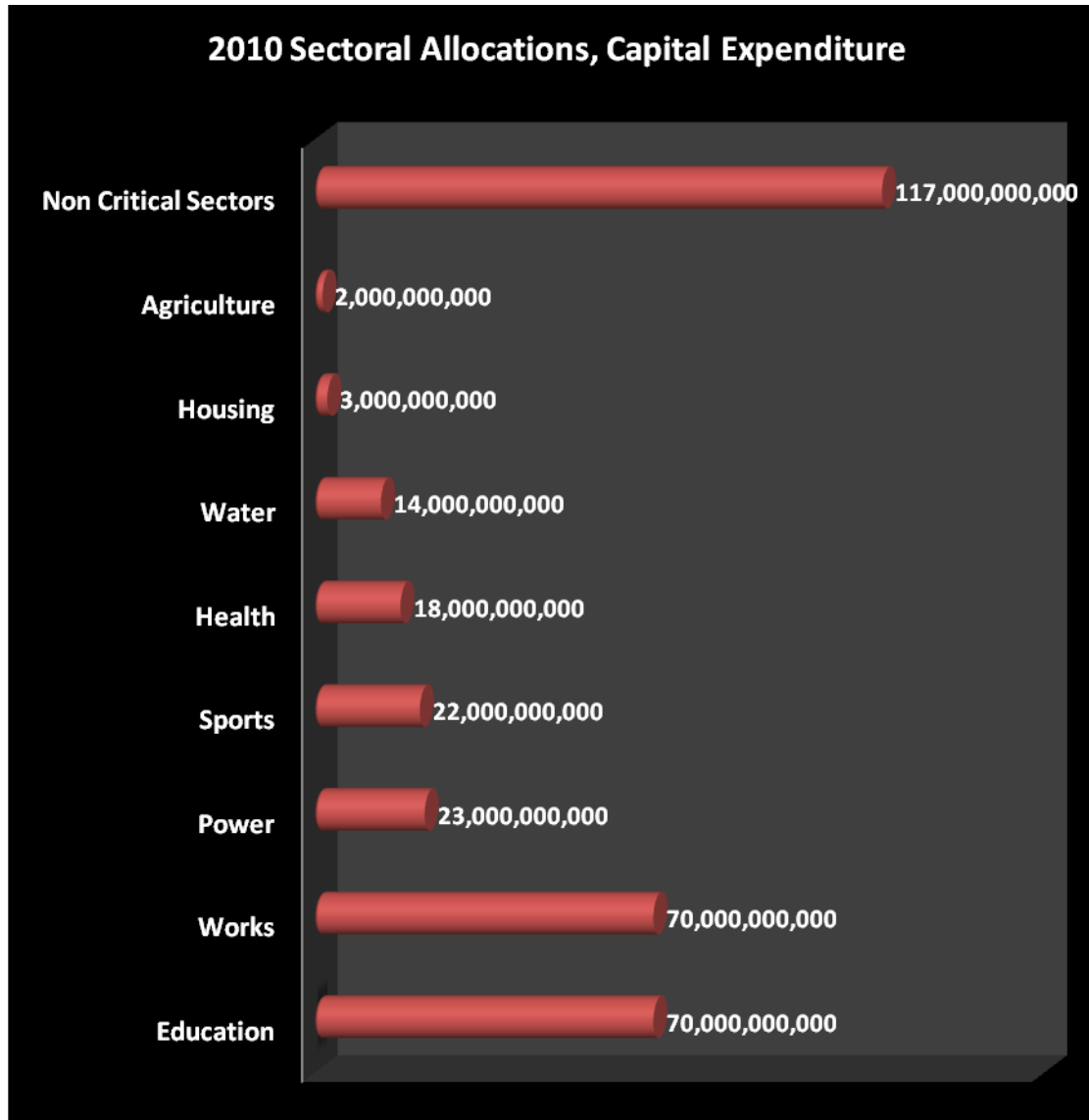


Of the total budget sum, *'₦90 billion, representing 21%, is proposed for recurrent spending and ₦339 billion which is 79% of the budget is earmarked for capital expenditure. As expected, capital expenditure in the critical sectors amounted to ₦222billion'*. This is a reasonable balance that ensures that more of the state's funds are available for the execution of lasting capital project. By comparison, this

share is positive when compared to that of Bayelsa State in 2010 where 65% is dedicated to recurrent expenditure.

A closer look at the figures however shows that it does not add up. If ₦90billion of the total budget is earmarked for recurrent expenditure, then ₦339billion should be available for capital expenditure. Here the budget makes a distinction between the '*critical sectors*' which include education, works, power, sports, health, water, housing and agriculture, and what could be termed the non critical sectors which include items such as general administration and security vote. The logic behind this distinction is not clear.

Figure 24

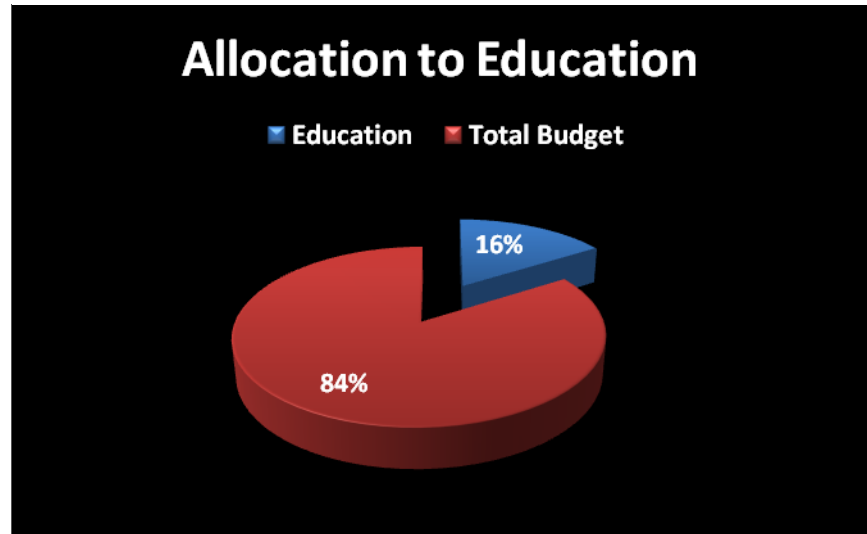


Source: Rivers State Budget 2010

Education

In 2010, ₦70billion or 16% of the total budget was allocated to capital projects in the education sector. In 2008, ₦23.8billion or 6.3% was allocated for the same purpose. It rose to ₦48.1billion or 11.1% in 2009. When the 2010 allocation is compared against that of 2009, it indicates that there has been an ₦21.9billion or 45.5% increase. Given the transformative work already taking place in the education and health sectors in Rivers State, the increase is appreciable. Facts on the ground show that the state is at various levels in the construction of 250 Model Primary Schools and 24 Model Secondary Schools; developments that should contribute to transforming the face of lower education in the state.

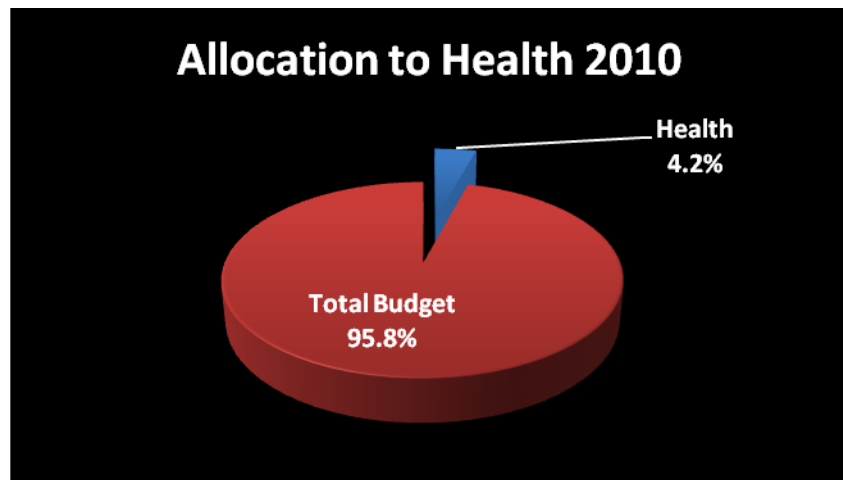
Figure 25



Health

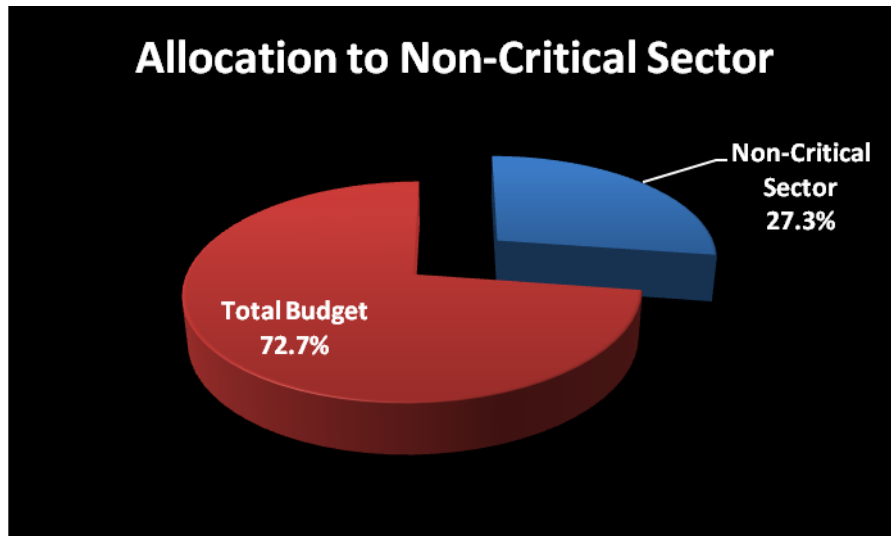
In 2010, ₦18billion or 4.2% of the total budget is allocated to capital projects in the health sector. In 2009, the allocation was ₦19billion. This indicates a ₦1billion or 5.3% nominal decline in allocation to the sector. When inflation is factored in however, it demonstrates a 16.8% decline in allocation. Just as in the education sector, much transformative work has been done in the health sector especially with the state government embarking on the construction of 102 health centres across the state. However, a tradition of reduced allocation could impact negatively on the sector and perhaps erode the gains already made.

Figure 26



'Non Critical Sector' (which includes 'security vote' and 'general administration') and Overall Budget

Figure 27: Rivers State 2010 Budget Allocations to Non-critical Sector



In the 2010 budget, General Administration was allocated ₦16.3billion while ₦7.5billion was allocated for 'security vote'. In 2009, 'security vote' got no less than ₦8billion, and in 2008, it was ₦12billion. It is generally held that monies allocated as 'security vote' is expended at the discretion of the State Governor, who is not obliged to account for its use. The proper designation of 'security vote' has been a source of controversy and conflicts. Some analysts have reasoned that the huge amount allocated to the subject gives political office holders the ability to undermine democracy by recruiting, funding and maintaining private armed bands that play unpopular roles in the states especially during political elections. Others reason that 'security vote' is just a budgetary allocation 'gift' to the state chief executive. This understanding stems from the fact that matters of security and their funding are properly given their place in the constitution and the Federal Budget. Though the state governor is often called the state's Chief Security Officer, s/he really has only limited financial responsibility in that regard. The police force and other security apparatus are funded directly by the federal government. Whatever the contention is, the fact still remains that the presence of a subject in the budget whose exact use is permitted to remain secret, and the funds allowed to go unaccounted for, is a misnomer and an avenue for the drain of scarce resources.

The budget also provides ₦1.3billion for 'Rivers State House of Assembly Capital Expenditure'. In 2009 ₦1billion was allocated for the same purpose. In 2008 it was ₦3.1billion. No indication of the actual expenditure plan for the funds is provided in the budget. This fact raises questions as to the manner of capital expenditure that Rivers State legislators are expected to make. The principle of separation of powers in governance precludes legislators from embarking on capital expenditures. That is the prerogative of the executive arm.

MONITORING REPORT

In Rivers State, there is visible improvement in construction of roads, schools and hospitals/health centres. In order to arrest the preponderance of infrastructural and facilities decay in the various primary school in Rivers State, the Government through the Ministry of Education embarked on building of 250 Model Primary Schools across the state. According to the Government, the schools when completed will be equipped with modern equipment and it will offer facilities such as laboratory/workshop, theatre, administrative office, library, town house, dinning, sports field, dormitory, demonstration farm, staff quarters and good road network etc. Furthermore, in Rivers State, Government upgraded the State College of Education to a University. It is important that the state governments reintroduce and reinvigorate the Inspectorate Services of the Ministry of Education to inspect schools more rigorously to ensure standards. Also it is pertinent to note the need for government to provide for the human and material resources required for the effective and efficient functioning of its educational institutions (at primary, secondary and tertiary levels). At the end of 2010 lecturers in all universities owned by the state government had been on strike for more than two months with no hope of early resolution of the contending issues.

While the government of the state has increased the number of Town Hall Meetings to discuss development priorities, these sessions are often opportunities for information dissemination rather than for discussion. The aggressive stance of the government on urban renewal for instance often goes against human rights norms, and could vitiate development goals. For example, in 2010 government plans to demolish major slum settlements were not preceded by consultation with over 300,000 estimated inhabitants. With teachers, health workers and other workers residing in the 'Watersides', forced evictions of relevant personnel from their homes without alternative accommodation could cripple education and health systems in the urban centres.

Building of 150 Model Primary Schools	
Sector	Education
Beneficiary	Rivers Citizens
Approved Estimate	₦ 17.7billion
Monitoring Report	NDCBP visit to some of the Model Primary Schools shows that some of the schools have already been commissioned and in use, while others are still undergoing construction. Reliable sources in local government areas across the state confirm that model schools in those areas have either been completed or are actively under construction. An independent valuator attached to the team reports that quality of work done in the school is very high and meets all standards.



Model Primary School Borokiri as at January 2011



St. Andrews Model Primary School, Port Harcourt, under construction as at January 2011

Building of New Model Secondary Schools	
Sector	Education
Beneficiary	Rivers Citizens
Approved Estimate	₦ 9.5billion
Monitoring Report	NDCBP visited the Model Secondary School located at Tai Local Government Area. The building consists of over 15 buildings complete with laboratories and dormitories. Work done so far is estimated at 65%. NDCBP gathered from the State Ministry of Information, that other Model Secondary Schools were being simultaneously constructed.
Construction of 105 Primary Health Centres	
Sector	Health
Beneficiary	Rivers Citizens
Approved Estimate	₦ 7.2billion
Monitoring Report	This project was allocated ₦9.6billion in 2009. Health Centres visited by the NDCBP team indicates that most of the facilities are currently being put to use. NDCBP Independent valuator rated the quality of work done very high.



Primary Health Centre, Borokiri, Port Harcourt as at January 2011



Primary Health Centre, Ports Johnson as at January 2011

Renovation of the Central Library, Bernard Carr Street, Port Harcourt.	
Sector	Education
Beneficiary	Rivers Citizens
Approved Estimate	₦ 5million
Monitoring Report	The same project was allocated 15.5million in 2009. On visit to the Library, it was clear that no renovation had been carried out in the fiscal year. Staff of the Library interviewed supported this view.
Renovation of Jubilee Library, Afam Street, D/Line, Port Harcourt.	
Sector	Education
Beneficiary	Rivers Citizens
Approved Estimate	₦ 4million
Monitoring Report	On visit to the Library, the NDCBP Team did not see any sign of renovation. Staff of the Library were equally unaware of any such plan.

Completion of Faculty of Law, Rivers State University of Science and Technology, Port Harcourt	
Sector	Education
Beneficiary	Rivers Citizens
Approved Estimate	₦ 13.7million
Monitoring Report	NDCBP investigation indicates that the project came into existence during the previous administration and has since been left unattended.
Information Technology, Rivers State University of Science and Technology, Port Harcourt	
Sector	Education
Beneficiary	Rivers Citizens
Approved Estimate	₦ 13.6million
Monitoring Report	NDCBP could not authoritatively confirm if any activity in this regard had been carried out as officers in the university declined comment. A cross section of students however, said they had not benefitted from any such plan as they were being charged for access to university information including student results.
Construction of Ten Classrooms, International Secondary School, Rivers State University of Science and Technology, Port Harcourt.	
Sector	Education
Beneficiary	Rivers Citizens
Approved Estimate	₦ 15.2million
Monitoring Report	NDCBP visit to the school revealed the absence of any project sponsored by the Rivers State Government. However, there is an ongoing construction of four classroom block said to be a constituency project by one of the National Assembly members representing Rivers State
Rehabilitation Of Convocation Arena, Rivers State University Of Science And Technology	
Sector	Education
Beneficiary	Rivers Citizens
Approved Estimate	₦ 45.3million
Monitoring Report	Investigations carried out by NDCBP revealed that the only work being carried out is the addition of a dressing room for members of the university community during ceremonies.

Fencing Of Rivers State University Of Education Land At Rumuolumeni Campus	
Sector	Education
Beneficiary	Rivers Citizens
Approved Estimate	₦ 100million
Monitoring Report	This project was allocated ₦50million in the 2009 budget. A visit to the campus showed the work is in progress but at a very slow pace.
Construction Of Drainages And Landscaping Of Homec And Bursary, Library And Establishment Of Quadrangle, Rivers State University Of Education Rumuolumeni	
Sector	Education
Beneficiary	Rivers Citizens
Approved Estimate	₦ 3million
Monitoring Report	On visit by the NDCBP Team, it was observed that nothing has been done with regard to the projects. Key staff of the university were unaware of the projects.
Renovation Of Existing Hostels In Campuses Of Rivers State University Of Education	
Sector	Education
Beneficiary	Rivers Citizens
Approved Estimate	₦ 15million
Monitoring Report	The visit by the NDCBP Team to the campuses revealed that no renovation has been done and the hostels are still in very bad shape. Key staff of the institution declined to speak to the Team. However, students who commented on the state of the hostels told NDCBP that they had not been renovated since they gained entry into the school.
Construction Of Vc's Conference Room And Council Chambers At The Rivers State University Of Education	
Sector	Education
Beneficiary	Rivers Citizens
Approved Estimate	₦ 30million
Monitoring Report	NDCBP could not confirm the status of the project as information and access was denied to the Team.
Extension Of The Administration Building /Dvc's Office At The University Of Education	

Sector	Education
Beneficiary	Rivers Citizens
Approved Estimate	₦ 50million
Monitoring Report	NDCBP did not locate extension work anywhere at the university. Key staff of the Institution declined commenting on the project.
Water Bore Hole Construction And Distribution At The Rivers State Polytechnic, Bori	
Sector	Education
Beneficiary	Rivers Citizens
Approved Estimate	₦ 20million
Monitoring Report	NDCBP visit to the polytechnic revealed that a water project has been carried out in the institution. Further investigation showed that the project is functional as water flows from all taps in the school.
Construction Of Library At The School Of Health Technology, Port Harcourt	
Sector	Education
Beneficiary	Rivers Citizens
Approved Estimate	₦ 50million
Monitoring Report	On visit to the school, NDCBP did not notice any construction work, though there was a clearing said to be the site for the construction of a library.
Renovation Of Hostels At School Of Health Technology, Port Harcourt	
Sector	Education
Beneficiary	Rivers Citizens
Approved Estimate	₦ 50million
Monitoring Report	As at the time of NDCBP visit, no renovation work had commenced. However, the school management claimed knowledge of the plan to renovate the building by the state government and said plans are in place.
Renovation Of School Of Nursing, Port Harcourt	
Sector	Education
Beneficiary	Rivers Citizens
Approved Estimate	₦ 50million

Monitoring Report	The project was allocated ₦40million in the 2009 budget. NDCBP investigation revealed that no renovation had been carried out at the institution.
Renovation Of School Of Midwifery, Port Harcourt	
Sector	Education
Beneficiary	Rivers Citizens
Approved Estimate	₦ 150million
Monitoring Report	NDCBP discovered on visit that no renovation has been effected. Key staff of the institution are unaware of the budgetary provision.
Construction Of Mother And Child Hospital, Port Harcourt	
Sector	Health
Beneficiary	Rivers Citizens
Approved Estimate	₦ 500million
Monitoring Report	NDCBP investigation at the State Ministry of Health revealed that the site for the project is the old University of Port Harcourt Teaching Hospital. It was further revealed that the delay in the project is as a result of the intended partnership with Rotary International.
Fencing Of 250 Model Primary Schools	
Sector	Education
Beneficiary	Rivers Citizens
Approved Estimate	₦ 2.8billion
Monitoring Report	NDCBP visit to some of the Model Primary Schools shows that the projects are ongoing with appreciable work done.

Local Government Projects

Construction of Security Post at the Local Government Secretariat	
Sector	Administration
Beneficiary	Abua/ Odual Local Government Area
Approved	₦ 6million

Estimate	
Monitoring Report	₦ 6million was allocated to the project in 2009. At the project site, NDCBP found the project in existence, however the value placed by an independent valuator attached to the team was ₦ 4.8million
Interlocking of Library Premises	
Sector	Education
Beneficiary	Abua/ Odual Local Government Area
Approved Estimate	₦ 10million
Monitoring Report	NDCBP investigation indicates that while the project is in existence, it is a constituency project by a member representing the Local Government in the Rivers State House of Assembly. The value is however placed at ₦ 5million.
Building/Renovation Of Health Centres In Akani And Okoboh	
Sector	Health
Beneficiary	Abua/ Odual Local Government Area
Approved Estimate	₦ 15million
Monitoring Report	₦ 80million was allocated to the project in 2009. NDCBP investigations reveal that only one health centre in Akanni is under construction. Community leaders and citizens in Okoboh had no knowledge of a plan for the project. Further investigation revealed that there is no existing health centre in Okoboh.

Conclusion

While the Rivers State government should be commended for the infrastructural transformation in the state, and the new regime of informing citizens on policy priorities, there is still room for improvement especially in the area of budgetary allocations. The presence of items such as 'security vote' and other similar allocations does not help credentials of the state government.

In the area of revenue mobilization, there seems to be an increased interest in internally generated revenue. This is a trend that should be maintained as it indicates an entry into an era of resource independence from the volatile oil controlled revenue.

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.

- Budget documents should be made public and accessible.
- Budgets should be drafted with care to avoid ambiguity and blanket allocations

On the State's Revenue Base

- Other sources of revenue (especially internally generated revenue) should be seriously explored.

On the Key Sectors

- Government should back its policy thrust with sufficient funding.
- The Health and education sector should be closely administered secure the gains so far made.

ENDNOTES

ⁱ The dates for General Elections which were originally fixed for January 2011 were shifted to April 2011 following amendments to the Electoral Act and the 1999 Constitution of the Federal Republic of Nigeria, a requests by INEC.

ⁱⁱ Chukwueke, A. O. (2008), *“An Appraisal of the national Capacity for E&P and the Future of Nigeria as a major Oil Producing and Exporting Country”*. Paper presented at the Seminar on the Strategic Role of Nigeria in the Emerging Exploration and Production Activities in Sub-sub-Saharan Africa, at the Nigerian Institute of International Affairs, Lagos on February 19.

ⁱⁱⁱ The Guardian Newspaper, Thursday, November 11, 2010.

^{iv} Chukwueke, A. O. (2008), *“An Appraisal of the national Capacity for E&P and the Future of Nigeria as a major Oil Producing and Exporting Country”*. Paper presented at the Seminar on the Strategic Role of Nigeria in the Emerging Exploration and Production Activities in Sub-sub-Saharan Africa, at the Nigerian Institute of International Affairs, Lagos on February 19.

^{iv} The Nigerian Federation Account comprises all federally collected revenues, including receipts from local and international sales of petroleum products. Also included in the account are royalties and Value Added Tax. Funds in the Federation Account are distributed monthly among the three tiers of government (Federal Government, State Governments and Local Governments).

^v The Nigerian constitution stipulates that at least 13% of oil mineral revenues be paid to the states from where the resources are derived.

^{vi} Human Rights Watch, *“Chop Fine: The Human Rights Impact of Local Government Corruption and Mismanagement in Rivers State, Nigeria”*, January 2007 Volume 19, No. 2(A), p.16

^{vii} <http://www.ft.com/cms/s/0/05e178da-24d3-11e0-a919-00144feab49a.html#ixzz1CLzh9WmK>

^{viii} By 2007, Nigeria had made substantial savings from the excess crude account. However, by October 2008, Central Bank Governor announced that much of the savings in the excess crude account has been disbursed to the three tiers of government. In 2005, The Federal Government had drawn from the account to make payment of \$12.4 billion to the Paris Club of creditors in a debt buy back deal. Other withdrawals were made to fund projects that would improve energy generation and distribution in Nigeria. However, funds were wasted with over \$16bn of 'investment' in the energy sector during the Obasanjo's presidency failing to yield increases in power generation. Most of the contracts awarded have not been accounted for and a probe in the House of Representatives revealed major irregularities and fraud. In one instance, over \$2 billion in contracts was awarded by the ex president without proper tender. See *“Nigerian deals 'wasted billions”*, <http://news.bbc.co.uk/1/hi/world/africa/7296466.stm>

^{ix} <http://234next.com/csp/cms/sites/Next/Home/5670035-146/story.csp>

^x <http://allafrica.com/stories/201010150271.html>

^{xi} “By contrast, an American senator earns US\$174,000 per year; a UK parliamentarian earns US\$64,000 annually; a US President gets US\$400,000 per annum while the British Prime Minister earns 190,000 pounds every year”. See <http://www.afriquejet.com/news/africa-news/nigerians-%27oppose%27-jumbo-pay-for-legislators-2010122064712.html>

^{xii} <http://www.afriquejet.com/news/africa-news/nigerians-%27oppose%27-jumbo-pay-for-legislators-2010122064712.html>

^{xiii} THE GUARDIAN, Thursday, October 22, 2009:14

^{xiv} Originally announced by President Yar’Adua, the provision was missing in early versions of the PIB.

^{xv} Brief for the meeting of the Committee on the Modalities for the involvement of Host Communities in the ownership of Petroleum Assets in Nigeria.

^{xvi} See www.eraction.org

^{xvii} Mobil Producing Nigeria is operated by ExxonMobil

^{xviii} http://234next.com/csp/cms/sites/Next/Home/5596680-146/fishermen_report_oil_spill_at_qua.csp

^{xix} http://234next.com/csp/cms/sites/Next/Home/5590630-146/victims_of_akwa_ibom_oil_spills.csp

^{xx} Only recently, the United Nations Environmental Programme(UNEP) reported that over eight per cent(80%) of oil spills in Ogoni land were due to sabotage. UNEP retracted this report due to vehement rejection of the said report by the Movement for the Survival of Ogoni People (MOSOP).

^{xxi} Gas flaring, which is the routine open burning of gas “associated” with crude oil at the point of drilling, is known to harm the health of local people through emissions that have been linked to cancers, asthma, chronic bronchitis, blood disorders, and other diseases. Gas flaring also contains methane and carbon dioxide which are major greenhouse gasses responsible for climate change. Flaring of associated gas robs communities of a potential source of energy for domestic and industrial use.

^{xxii} <http://investigativezim.com/2010/10/17/shell-to-pay-30-million-in-nigeria-corruption-settlement/>

^{xxiii} The Guardian newspaper of Tuesday, November 30, 2010 reported that eight Nigerian officials of Halliburton were arrested and later granted administrative bail.

^{xxiv} <http://www.cbsnews.com/stories/2010/12/21/business/main7173178.shtml>

^{xxv} <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=a5SIJHgE3rXA>

^{xxvi} In one instance up to \$20 million was transferred to a fake foreign bank account by the Managing Director and some key officers.

^{xxvii} <http://urhobotimes.com/?p=157>

^{xxviii} The amnesty proclaimed on June 24, 2009 by President Umaru Musa Yar'Adua formally began on Thursday, August 6, 2009. The programme provides amnesty and unconditional pardon to all persons who have directly or indirectly participated in militant struggles or commission in the course of militant activities in the Niger Delta. To take advantage of such persons should go to the nearest screening centre, turn-in their arms, register, take the oath of renunciation and receive the presidential amnesty and unconditional pardon. Thereafter these persons are to register for the reintegration programme.

^{xxix} On Monday, November 15, 2010 Mobil Producing, operator of Nigerian National Petroleum Corporation (NNPC) joint venture shut in some chunks of its oil production following attacks on its offshore facility in Akaw Ibom State by suspected militants who also kidnapped eight oil workers. In addition, the Joint Task Force commenced military offensive against some militants who initially accepted the Federal Government's Amnesty programme in Rivers, Bayelsa and Delta States. In the case of Delta states there were reports of high rate of civilian casualties even though the Chief of Defense Staff had refuted the report.

ABOUT NDCBP

The Niger Delta Citizens and Budget Platform (NDCBP) is a collaboration of civil society organisations, including NGOs and community groups that promotes mass mobilisation to combat corruption in public offices in the states and local government councils of the Niger Delta, and to support community participation in budget development and monitoring. The platform is active in addressing the underlying causes of poverty and violence as well as contributing to promoting democratic culture in the region by ensuring that community members and civil society actors are empowered to make input into budget development and monitor budget expenditures.

Contact:

The Coordinator
Niger Delta Citizens and Budget Platform (NDCBP)
Social Development Integrated Centre (Social Action)
33, Oromineke Layout, D-Line, Port Harcourt, Nigeria
Tel: +234 84 765413
asume@saction.org
Website: www.citizensbudget.org

Steering Committee Members:

Social Action (Social Development Integrated Centre) – Coordinating organisation

Kebetkache Women Development and Resource Centre, Port Harcourt, Nigeria

Centre for Sustainable Peace Initiative Nigeria, Port Harcourt, Nigeria

Centre for Environment, Human Rights and Development, Eleme, Nigeria

Foundation for Nonviolent Social Change, Asaba, Nigeria

Bayelsa NGO Forum, Yenagoa, Nigeria

Stakeholder Democracy Network, Port Harcourt, Nigeria