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# NIGERIA BUDGET PROCESS SUPPORT PROJECT

FINAL REPORT

MAY 2005

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Prepared by Development Alternatives, Inc



# **NIGERIA BUDGET PROCESS SUPPORT PROJECT**

**September 15, 2002 to May 15 2005**

**Technical Assistance Project**

**Funded by:**

**United States Agency for International Development**

**Contract # PCE-I-00-00-00015-00**

**Task Order # 6**

**Submitted to**

**US Agency for International Development/Nigeria**

**USAID/N/ Program Office, Metro Plaza**

**Abuja, Nigeria**

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The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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## Abbreviations

BBI	Better Business Initiative
BMPIU	Budget Monitoring and Price Intelligence
BOF	Budget Office of the Federation
CBN	Central Bank of Nigeria
CSO	Community Supported Organizations
FGN	Federal Government of Nigeria
FOS	Federal Office of Statistics
GRFN	Government of the Federal Republic of Nigeria
ICPC	Independent Corrupt Practices Commission
IMF	International Monetary Fund
MAN	Manufacturers Association of Nigeria
MDA	Ministries, Departments and Agencies
MOF	Ministry of Finance
MTEF	Medium Term Expenditure Framework
NASME	National Association of Small and Medium Enterprises
NASSI	National Association of Small Scale Industrialists
NEEDS	National Economic Empowerment Development Strategy
NESG	Nigerian Economic Summit Group
NPC	National Planning Commission
OAGF	Office of the Accountant-General



## EXECUTIVE SUMMARY

In September 2002, the Nigerian-USAID mission issued a Task Order to Development Alternatives Inc. (DAI) under the SEGIR Macro Indefinite Quantity Contract. With extensions of the Task Order, the Budget Process Support Project assisted the Federal Government of Nigeria for 33 months. The project ended on May 15, 2005.

The primary objective of the USAID-funded assistance was to provide technical assistance and training to the Budget Office of the Federation and to the Budget Monitoring Price Intelligence Unit working in the area of Public Procurement. The assistance provided to the two agencies contributed to measurable strengthening of their institutional and professional abilities and helped both begin the transition into modern institutions capable of achieving excellent standards and conducting the highly complex activities that are hallmarks of public service in a modern era. They both became more able to ensure oversight of Nigeria's economic reform program - NEEDS.

The Budget Process Support Project was instrumental in moving Government initiatives designed to strengthen the budget process, the collation of budget data, balancing methods, preparation of the Call Circular, Fiscal Strategy Paper, Programming of Macroeconomic aggregates as well as shepherding three key line ministries – Works, Education and Health. These served as pilots in the on-going reform program and oversight over the procurement process. Also, the BMPIU has achieved substantial success in its communication strategy. There is growing public awareness of the policy targets and goals of the procurement reforms as well as of their benefit to the Nigerian people. Another indicator of Budget Monitoring and Price Intelligence Unit's success is the expression of interest from more than 20 states in adopting similar reform programs. Analytical techniques and tools such as computer aided budgeting, cost benefit analysis, capital budgeting, input, output and outcome oriented budgeting techniques are now better appreciated and put in use by both agencies.

In addition to the assistance to the Budget Office and Budget Monitoring and Price Intelligence Units, the Budget Process Support Project assisted the Federal Office of Statistics, Office of the Accountant General of the Federation, Federal Inland Revenue Service, National Planning Commission, Customs, Independent Corrupt Practices Commission and the Central Bank of Nigeria. These, are all government institutions whose strengthening is central to developing the institutional infrastructure upon which a robust budget process will be most effective. BPSP advisors also collaborated with other USAID projects – the National Democratic Institute (National Assembly Budget Office Project), Mississippi Consortium for International Development (Project on Improving Budget capacity for State Executive and Legislature), and PROSPECTS (Project on Civil Society Organizations). The assistance provided ranged from providing resource persons for workshops, to production of technical papers and joint legislative briefings.

BOF and BMPIU have taken initiatives to ensure transparency and meet world standards in public sector governance. The Project was able to support these initiatives through expatriate and local technical assistance, training and the provision of some computer hardware and software, resulting in the following outputs and outcomes:

- **Introduced concepts, methodologies, tools and standards for selection of development project formulation for the Budget Office of the Federation;**
- **Internalizing the concepts of a multi-year budgeting cycle and a Medium Term Expenditure Framework for the Budget Office of the Federation staff;**
- **Enhanced information-processing capability through fiber optics for the BOF;**

- **Developed a website to disseminate the Budget Monitoring and Price Intelligence Unit's reform initiatives and contract processes;**
- **Developed an electronic tracking tool i.e. workflow analysis to monitor the Due Process review;**
- **Designed and implemented a communication strategy for the Due Process and prudent public procurement process to raise awareness regarding the Due Process;**
- **Supported the Office of the Accountant General of the Federation to adopt the new budget classification systems for the chart of accounts to strengthen transparency, policy assessments, and fiscal analysis;**
- **Reinforced the capacities and develop methodologies in budget processes– planning, formulation, preparation, and execution for the monitoring and evaluation unit of the Budget office;**
- **Developed LAN/Fiber Optics solutions for the Automation of the Budget Office of the Federation;**
- **Enhanced the skill level of Budget Officers in the Ministries Departments and Agencies;**
- **Developed training materials in economics and budgeting for members of the BOF and the macroeconomic working group.**
- **Published a Citizen's Guide to Budgeting;**
- **Worked with ten Civil Society Organizations in the training of their staff on budget related matters; Issues related to the Medium-Term Expenditure Framework, Budget Process served as the benchmark for analysis;**
- **Organized in conjunction with the Better Business Initiative Network a conference that identified bottlenecks inhibiting the private sector within the economy**

Finally, the most important success directly attributable to BPSP is the fact that BOF and BMPIU operations and capabilities improved dramatically from two years earlier, prior to the assistance provided by the project. The BOF and BMPIU have become much more capable organizations. They are now better prepared to face the challenge of improving public sector governance. The BPS project was strategically positioned by USAID at a time when the Federal Government was making important governance initiatives. It has made a positive difference in improving the budgetary process and supporting the Government in its overall economic reform initiatives.

## 2 I GENERAL INFORMATION

1. **Project Number:** PCE-1-00-00-00015-00
2. **Task Order:** # 6
3. **Performance Dates:** AUGUST 2002 to MAY 15, 2005
4. **Project Management:** Peter Griffin COP (October 2002 – April 2003); Paul Barnejee COP (August 2003 – November 2004); Kanayo Ogujiuba - Team Leader (December 2004 – May 2005)

Micheva Bobby – Home Office Project Associate – (September 2002 – July 2004);  
Heather Rome – Home Office Project Associate – (July 2004 – May 2005)

Peter Davis – Project Director, Home Office - (September 2002 – November 2004);  
David-Tardif\_Douglin – Project Director, Home Office – (November 2004 – May 2005)

5. **Project CTO:** Dr. Eke Uka
6. **Funding Allocated:** \$2,547,217.00
7. **Project Description:** “Nigerian Budget Process Support Project” The BPS Project worked directly with the BOF and BMPIU. The project goals are to solidify the macro environment and institutional roles in a fiscally sustainable, multi-year process to reinforce capabilities.

This document constitutes the final report of the SEGIR Macroeconomics IQC Contract PCE-I-00-00-00015-00, Task Order #6 “Nigeria Budget Process Support Project,” entered between the USAID Mission in Nigeria and Development Alternative Inc as the Contractor responsible for the implementation of this project. The contract supported USAID/Nigeria’s strategic objectives - **SO12** ‘Strengthening Institutional Capacity for Economic Reform and Enhance Capacity to Review Agricultural Growth’. The BPS\_Project under the **SO12** mandate influenced government policy and resource allocation necessary for a Private Sector driven economy. In addition, technical support to budget management processes and increased accountability and transparency in government operations served as the main thrust of the Project within the USAID/Nigerian **SO12**.

The Project contributed to the shaping of an enabling environment for Private Sector growth by enhancing the government’s capacity to develop, implement, coordinate and monitor the national budgetary process. The BPS Project identified hindrances to fiscal discipline and reformed policies that hindered good budgetary management.

In addition to the executive summary and this introductory section, the report includes six sections. Section II presents the fiscal governance challenge facing the Nigerian Government and USAID. Section III highlights the Project components and describes the expectations of the Project. It covers the scope of work and modifications to it that were required to adequately respond to the needs of reformers in BOF and BMPIU as well as in other agencies of the government. This section describes each task in detail focusing on the approaches used and the results obtained. Section IV deals with special issues and activities that were not initially planned at the beginning of the Project, particularly

the Budget Office Study Tour to Ghana; Assistance to the Independent Corrupt Practices Commission and the Better Business Initiative Conference. Section V presents the level of effort expended by project staff during the life of the Task Order. Section VI deals with the impact of intermediate results on the project overall objectives. Section VII and VIII discusses the problems, opportunities and overall summary of the report. Section IX highlights lessons learned and Section X focuses on recommendations.

## **II BACKGROUND INFORMATION**

USAID and the Government of Nigeria agreed to undertake the BPS Project because there was a shared sense that a solid foundation for change was under development since the new democratic transition in 1999. Nigeria has the potential to become Africa's largest economy and a major player in the global economy by virtue of its rich human and material resource endowment. However, the evident paradox is that the poverty index is over 70%.

In Nigeria, fiscal policy is the most important instrument of macroeconomic management. Therefore, reforms at this level are critical for overall macroeconomic consistency. Despite previous plans to diversify the revenue base of government, oil income continues to dominate Nigeria's fiscal and budget landscape, which is a major source of instability in the domestic economy. Oil revenue accounts for more than 70% of total government revenues, and swings in the international oil price and production lead to instability in government revenue. Expenditure is patterned after oil income such that in periods of boom, expenditure is ratcheted up while periods of lower oil prices are treated as temporary. The same pattern is repeated in the states and local governments. Other problems of fiscal policy in Nigeria include inefficiency in resource use, waste and misplaced priorities in government expenditure, high fiscal deficits at all tiers of government, weak institutional structure, a fiscal federalism structure that places little or no premium on intertemporal fiscal solvency, and poor institutional mechanisms for regulating actions of the different tiers of government and their agencies. These have led to a high debt burden, huge recurrent expenditure burdens at all tiers of government, inefficient public delivery of services and distortion in the incentive structure for both the private and public sectors.

Before 2002, the budgeting process was facing numerous challenges and had come near to collapse. The main problems have been:

- **Lack of political will and commitment to abide by stipulated rules and budget guidelines;**
- **Inability to develop a macro-economic framework for budget formulation**
- **Ambiguities in the roles of various GFRN agencies involved in the formulation and monitoring of the budget;**
- **Periodic changing of budget line items classifications, which inhibited the formulation and monitoring of the budget;**
- **Lack of coordination between the OAGF and the CBN, which inhibited the smooth disbursement of funds after budget approval;**
- **Slow budget process fraught with errors.**

The above problems led to a high incidence of extra-budgetary expenditures and a breakdown of medium-to-long term plans to guide the budgeting process. Projects then were implemented haphazardly, without proper evaluation and coordination. Consequently, there are hundreds of uncompleted/abandoned projects that would cost over N100 billion to complete. Faced with so many abandoned/ongoing projects, allocation to projects had become ineffective and arbitrary, devoid of

economic rationale, and spread thinly over numerous projects without significant impact on most of them.

A high and expansive level of recurrent expenditures undermined the coordination of the budget process. This exacerbated the budgeting process that was unable to adequately manage the level of recurrent expenditures, and weak-to-non-existent cooperation between various tiers of government/line Ministries with the apex coordinating agencies such as the National Planning Commission and the Ministry of Finance. The lack of a formal mechanism for dealing with budget surpluses or shortfalls and aligning warrants with cash flow, led to the emergence of the “warrant without cash backing” phenomenon.

### **III PROJECT COMPONENTS AND TASKS**

#### **III. A. OVERALL OBJECTIVES OF THE TASK ORDER AND PROJECT COMPONENTS**

This Task Order focused on assisting two organizations within the Government of the Federal Republic of Nigeria (GFRN) that are key to the ongoing national budgetary process: the Budget Office of the Federation in the Finance Ministry and the BMPIU of the Presidency. The Task Order required the combination of long-term and short-term technical assistance; in-country training; and procurement and installation of computers and appropriate software necessary for budgetary procedures.

The original scope of work is included in this report as Annex B. The major components under this Task Order would include four areas of assistance for the BOF and two for the BMPIU:

#### **BUDGET OFFICE**

##### **III. A. 1. INSTITUTIONAL STRENGTHENING**

Under this component, the Technical Assistance and training focused on helping BOF to implement the recommendations of the Philips Committee and other related studies of the Nigerian budget process. In addition, BOF received advice focusing on the following areas of budget formulation: revenue; expenditures; fiscal policy; budget monitoring and evaluation.

##### **III. A. 2. HUMAN RESOURCE ORGANIZATION**

The Task Order focused on providing the BOF with new organizational procedures that all agencies involved in the annual budget process can refer to: a new BOF organization chart; a comprehensive set of job descriptions for BOF staff; and installation of new computer equipment and specialized software.

##### **III. A. 3. STAFF TRAINING**

Under this component, developing an in-country training program for the BOF, which provides the following:

- Training in the use of operational procedures
- Initiating a pilot activity with one of the line ministry involved in the budget process

- Training a core group of BOF and involved ministry staff so as to allow a critical mass of staff to gain hands-on experience in the use of new systems and computers for budget preparation and execution

#### **III. A. 4. COMPUTERIZATION**

Provision of computing equipment and software that was required for the annual budgetary process was primary under this component. This entailed a comprehensive assessment and lifting of required computer equipment, software and supplies.

### **BUDGET MONITORING AND PRICE INTELLIGENCE UNIT**

The original Task Order only provided for short-term advisory component until a revision with the BPS Project Management, team members of BMPIU and the mission agreed to include a new component '*Communication Strategy*' mid last year. The inclusion was to speed up the crusade of the unit to every part of the country for the public to have a better and informed opinion of the unit.

#### **III. A. 5. SHORT-TERM ADVISORY SERVICES**

This assignment required engineering expertise in key budgets areas such as transportation infrastructure, power, etc. This included cost verification and benchmarking for every spending unit. Short-term assistance also provided analysis to determining expenditures based on proposed spending.

#### **III. A. 6. COMMUNICATION STRATEGY**

This strategy informed and educated the public on the reform components of the BMPIU regarding the award/procurement of federal government contracts.

#### **III.A. 7. PROJECT IMPLEMENTATION**

This assignment involved the technical team at the home office, visiting advisors and a local support team.

### **III.B. SCOPE OF WORK**

In 2001, USAID, the World Bank, and DFID participated in a mission that endorsed the Philips Committee's report. Thus, in the IMF action plan specified that USAID was to take the lead role in providing critical and immediate assistance in strengthening the Budget Process in Nigeria. The scope of work envisioned under the contract addressed issues regarding institutional strengthening, training and automating the functions of the BOF.

#### **III.B.1 SPECIFIC TASK ACTIVITY AND KEY ACCOMPLISHMENTS**

##### **Institutional Strengthening**

At the outset of this project, assistance in strengthening the BOF took the center stage. This initiative was primary because of the integration and advantage it provided to the Task Orders. A core team comprising Nigerian professionals and some expatriates designed a model that would ensure a robust and macroeconomically sound process that would address the issues at stake. The first objective here was to increase the flow and quality of information to government decision-making structures and to the public. This targeted increasing collective government responsibility for the budget and public understanding of the processes. Developing sector knowledge and active monitoring capabilities focused on implications for budget monitoring and management

**The results are as follows :**

- Budget call circular - the bps project provided inputs in collaboration with the OAGF on the new chart of accounts on which the MTEF is based and recommendations on how the contents of a call circular should be formatted. The Circular makes it mandatory for the ministries, departments and agencies to use the new chart of accounts and suggests how the basic functions of the MDA will support the principal thrusts of NEEDS.
- Designed the Chart of Accounts<sup>1</sup> and Budget Classification Manual in collaboration with the office of the accountant general for the line ministries, anchored by the budget office. This has increased overall budget process, accountability within the system and the use of functional classification in the budget.
- Developed a program-based manual for budget preparation for the budget office using experts with extensive practice in this area. This serves as a reference material for BOF relationship managers as well as ministries, departments and agencies.
- Held two interactive sessions on budget process for the federal permanent secretaries and select relationship officers in the budget office as well as their counter-parts in the ministries. This has strengthened the overall process.
- Human resources: a component of the Public Service Reform Program (PSNRP) assisted the budget office of the federation in examining its internal structure and the many aspects of managing and developing its human resources. Three workshops organized by the BPS project helped staff distinguish between goals/duties and objectives. These workshops were intended to create awareness and, during the subsequent assistance, focus on setting objectives at the department level.
- BPS project organized four sessions for the national assembly house committees on national planning and economic development, appropriation and finance on public expenditure management within the MTEF concept. These sessions aimed at improving the level of the skills of the lawmakers with respect to improving the budget process.
- The project supported four consultative sessions by the BOF with the private sector and civil society in Lagos, Abuja and Kaduna in the last two years regarding the medium-term strategy vis-à-vis the budget process.
- BPS project designed a macroeconomic consistent model that allows simulations, projections, and consistent checks to the four-macro accounts and answers policy questions for the budget office as an input to strengthen the macroeconomic framework. The model serves as a benchmark for the relevant institutions that the BPS project assisted.

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<sup>1</sup> The 2005 Budget is structured along this line

- BPS project designed a non-oil revenue projection model<sup>2</sup> that allows projections and answers to policy questions for the budget office as an input to strengthen the process. This is anchored on the needs strategy. The model has been adopted by agencies such as the customs, federal inland revenue service as well as the budget office as a benchmark for projections.
- Medium-term expenditure programming model for the BOF, NPC and CBN was developed. The objectives of the five seminars organized by the project targeted having a general framework for formulation and evaluation of a medium-term macroeconomic program. The underlying premise of the exercise is that a developing economy's government must formulate its annual budget as part of a medium-term framework, encompassing a combined medium-term expenditure framework (MTEF) and a medium-term macroeconomic framework. In practical terms, the medium-term exercises helped in the budget formulation process. Each year's annual budget is formulated over the course of the preceding year.
- A draft fiscal strategy paper was submitted to the budget office as an input to the 2005 budget. It contained a medium-term framework {2005-2007}. This served as the benchmark for the 2005 budget.

## Staff Training

- The members of the Budget Office since late 2002 have been engaged in economic workshops on the components in budget formulation, execution and implementation. The sessions focused on the economics of public sector spending, database and balancing method with a view to having a balance for the four-macro accounts that drive the economy.
- A macroeconomic working group was formed at the outset of the project. This consisted of representatives of the Budget Office of the Federation, the National Planning Commission, and the Federal Office of Statistics, Office of the Accountant General of the Federation, Ministry of Finance and Central Bank of Nigeria. After inception of the group, they met weekly to review basic concepts and applications of national account statistics and financial programming. The trainings drew heavily from the IMF financial programming text, which uses the example of Turkey. In the review, the available data for Nigeria was used, highlighting some of the discrepancies between different sources. These training workshops reviewed flow-of-funds concepts and uses in some detail to establish a comprehensive framework for assessing the internal consistency of macroeconomic data, and adjusting them as needed for an unofficial, but consistent database for model estimation and projection.
- These trainings also covered options for simple macroeconomic modeling, including the Polak model, the RMSM-X model, and alternatives that move away from the restrictive Harrod-Domar assumptions.
- The group under the tutelage of the Team Leader and the Macroeconomic Advisor in the weekly sessions focused on macro econometric analysis, model specification and calibration, and adoption of a common modeling framework for macroeconomic forecasting.

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<sup>2</sup> Participants at the workshops for the model were from the BOF, MOF, CBN, OAGF, FIRS and FOS

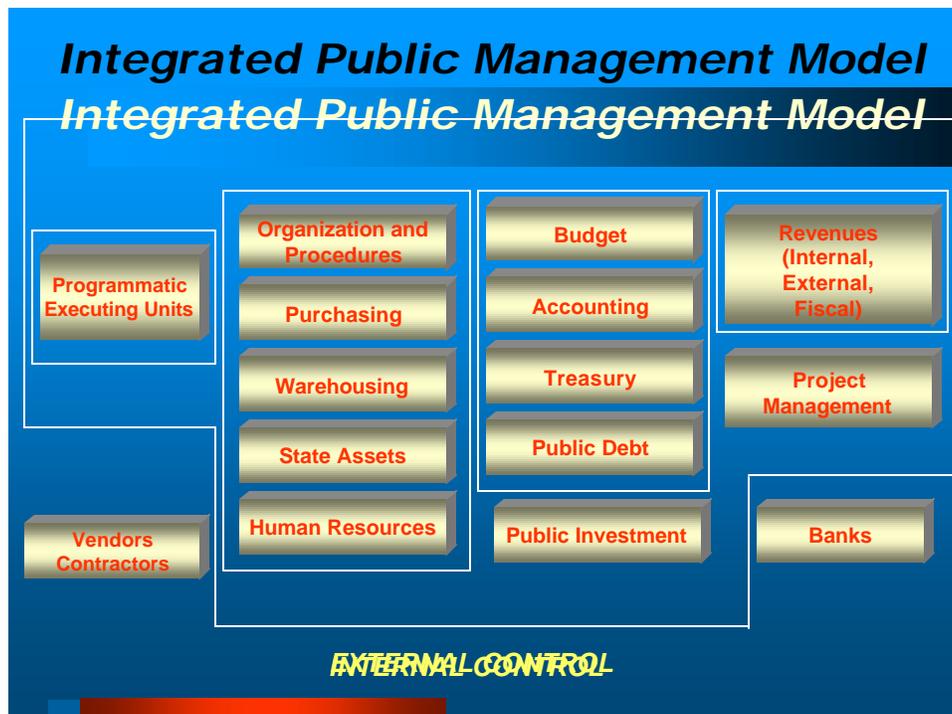
- Held Chart of Accounts workshops in conjunction with the Office of the Accountant general for the Budget office. This streamlined the account codes in the Budget in accordance with best practices around the world.
- Developed macroeconomic training material for the budget office of the federation training that commenced on October 2004, through February 2005. In November 2004, the project office started training the core staff (about 125) of the BOF. The training, facilitated by the team leader was intended to serve as a primer over a range of concepts in macroeconomics to public expenditure management and budgeting. Five weeks of intensive training was held for the total staff of about 125. The BPS prepared a reference text (over 160 pages) to aid the training. In the area of budget management, it illustrates certain principles and advocates mechanisms generally accepted in the public finance literature. The training ended in February 2005.
- A training program on fiscal sustainability sponsored by the BPS Project for the Budget Office strengthened the legal framework of fiscal management reforms. The training was necessary due to the employment of a team of consultants, which included a legal aide to work with the Director-General Budget on the legal aspects of public expenditure. This has improved and aided the technical competence of the team drafting the Budget Law for the Federation.
- Capital Budgeting Workshop: This acquainted participants with the best practices in Capital Budgeting as well as relevant tools, techniques and strategies for planning and managing public investment. In any society, capital budgeting holds the key to economic transformation and development. This was identified as a major factor for the poor development outcomes in the country. The need to equip relevant public officers with the requisite tools, techniques and strategies for result-oriented capital budgeting in the country informs the organization of this very important workshop.

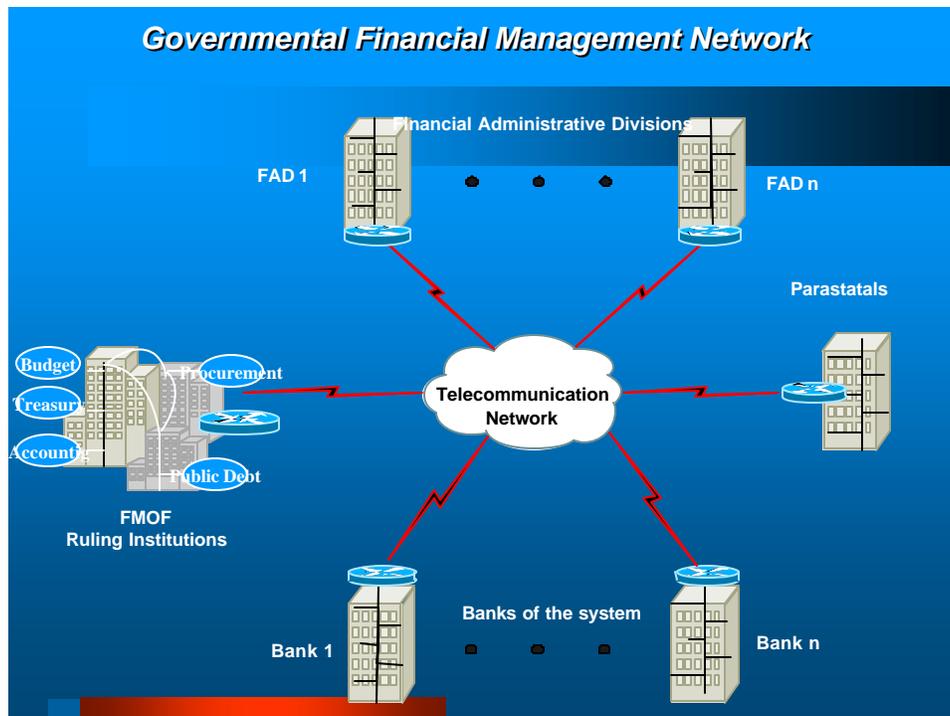
The workshop modules centered on:

1. Overview of Capital Budgeting Experience in Nigeria
  2. Capital Budget and National Development
  3. Fundamentals of Capital Budgeting
  4. Tools and Techniques of Capital Budgeting
  5. Frameworks for Capital Budgeting
  6. Best Practices in Capital Budgeting
- MTEF Training Workshops: Six training sessions on this have been done. The sessions focused on principles and practices of modern budget management. Recognizing the importance of mobilizing civil society participation in monitoring public sector resource management and the budget process, the course targeted representatives of CSOs already involved in budgetary issues, budget office staff, other line ministries and agencies. The course strengthened participants' capacity for assessing existing budget processes and for participating in ongoing public policy debates regarding further reform. The programs comprised of sessions covering the legal and institutional framework for budget management, as well as individual stages of budget preparation and implementation. Participation for the workshops cuts across institutions and members of the Macroeconomic Working Group, comprised of individuals from a cross-section of Federal governmental agencies (CBN, OAGF, FOS, NPC and others) involved in macroeconomic and fiscal policy and analysis.

## Computerization

- BPS project provided human and financial resources for computer training of the executive and non-executive staff of the entire budget office. The training encompassed basic computer appreciations, Microsoft Word, Excel power point and Access.
- The Macroeconomic group made up of Federal governmental agencies (CBN, AGF, FOS, and NPC) received weekly trainings on specialized software such as E-views, SPSS, Pc-Give, etc.
- Budget IT Infrastructure: The BPS Project worked for the improvement of the information management capacity of the government. This took place in tandem with improvements to the provision of public services, sustainable reduction of the deficits and improvements to the overall welfare of the citizens.
- This entailed the following: Establishing a LAN for the Federal Ministry of Finance; Purchasing and installing equipment for the users; Designing and implementing Government Intranet; Designing and implementing Integrated Financial Management System, Creating new set of common rules and regulations; The diagrams below represent the Network BPSP designed, created and in use by the BOF.





The key principle of the above system is to centralize the norms and decentralizing the operations with a mechanism that enforces the use of the norms.

### **Communication Strategy**

The BMPIU continued with its communication strategy, which generated and sustained greater awareness of the Due Process. The budget for the communication strategy, prepared in June 2004, was realigned in the last quarter. Based on a request to USAID from the Special Assistant to the President and Head of BMPIU, additional funds were added to the June budget to deepen the communication strategy. The activities relating to public enlightenment, media relations and contractor's forum continued to generate considerable positive media coverage and dispelled the misperception of the Due Process.

The break down of activities by the BPS Project and its achievements in this area were as follows:

### **Media Tour**

The media tour was held in Lagos (South West) and Abuja (North Central) for the Public Affairs Unit of the BMPIU. The media tour introduced the public affairs unit of the BMPIU to key media houses, and generated ideas that helped the BMPIU develop an efficient and proactive strategy. The media tour also confirmed media perception of the due process policy, problems and possible ways of effective communication policy.

### **Radio/TV Advertising**

This educated and informed the public on the goals of BMPIU: public procurement reform, transparency and value of money. In addition, it sustained the increasing awareness created by the

previous advertising and corrected the misconception of Due Process and the issues of alleged delays in Budget Implementation. Under this strategy, a message was created to enlighten the public on the technical competence and professional ability of BMPIU to review and certify all federal government contracts without delay. This spanned through August 2004 to May 2005. The message was done in jingles in both English and Pidgin English.

### **Press Conference**

The target audience for the News Conferences was the Media. The conference workshops briefed the media on the progress, prospects and problems of the Public Procurement Reforms and the implementation of the 2004 budget. The conference workshops were reported both in print and electronic media.

### **Contractors' Forum**

The Forum was held in Abuja for indigenous contractors. This created an opportunity for the exchange of ideas between the BMPIU and the indigenous contractors on the implementation of the Public Procurement Reforms Program.

### **Interaction Workshop of Media Professionals**

This was strategic and elicited responses for furtherance of the communication strategy. The forum was in recognition of the important role of the media in the implementation of the communication strategy. This took place in December 2005.

### **Nation Wide Press Coverage**

This enabled the desk media at the unit to follow up on issues with regard to the activities of the unit in general and public procurement reforms and programs in particular.

### **Workshops with Diplomatic Missions**

This created an interactive forum between the Embassy officials, the Heads of Diplomatic Missions in Nigeria and the BMPIU. Views on the Public Procurement Reform Program and Investment Opportunities in the country took the center stage as well as informing the International Community about the Public Procurement Reform Program and its implication in creating a friendly, conducive and competitive environment for foreign investments. This was held in January 2005.

### **Media Briefing**

This was in form of a National Press Conference held in Abuja. This corrected negative impressions and confusions in the minds of the public as regards the use of consultants by the BMPIU and the creation of procurement officers' cadre in the public service. The confusion was created by the varied and negative ways the media interpreted them. The media briefing was also necessitated by the anxiety this raised even among the Development Partners of BMPIU. This took place in February 2005.

### **Radio/TV Documentary on BMPIU**

This was a well researched Radio and Television Documentary on the Due Process Policy in the award of Federal Government Contracts in Nigeria. The objective of the Documentary was to explain the BMPIU Policy in a simple and informative format in furtherance of the public information campaigns.

## **Public Enlightenment On Due Process For State Governments**

This training was for delegates from seven states; Ebonyi, Bauchi, Osun, Kebbi, Kwara, Benue and Nassarawa states. In the light of the achievements of the communication strategy of BMPIU in the implementation of the Public Procurement Reforms at the Federal level, the above listed states appealed to the unit for enlightenment, education and training in setting up Due Process in their respective states. The BPS Project supported the BMPIU in setting up a training and enlightenment program whereby five delegates each from the interested states attended. This forum took place in March 2005.

## **Human Resources**

BPS Project provided assistance for the BMPIU, which focused on regularizing the current staff of consultants with reference to what is obtainable in other sectors (Banking, Oil, Construction, etc.) There are a number of possible approaches, but each of them creates a dilemma that has implications for the entire civil service.

We listed a number of steps for the BMPIU that should be taken, regardless of what solution or combinations of solutions are implemented:

<b>Step</b>	<b>Action</b>	<b>Purpose</b>
1.	Identify all possible normal senior level hiring procedures.	To determine all of the normal possibilities.
2.	Get latest "salary survey" data on the professions of the sector specialists.	Determine sector Specialists market value.
3.	Identify all equivalent roles and position within the Civil Service	Determine remuneration and entitlements of equivalent civil service positions.
4.	Explore an outsourcing model whereby sector specialists are employed by a third party and that party is contracted for services with the BMPIU	To avoid normal bureaucratic procedures of the Civil Service.
5.	Identify equivalent and qualified professionals already employed by the Civil Service and offer them employment with the BMPIU	Meet staffing needs while providing career mobility to already "proven" civil servants.
6.	Research how comparable procurement efforts are working in other countries and the employment/consulting status of their expertise.	Identify "best practices" on an international level.
7.	Conduct a "hypothetical" discussion with current consultants regarding their thoughts about an attractive "regularized" package.	To extend the data already captured by this report.
8.	Determine non-monetary attractions of the BMPIU and its next stage as the Commission for Government Procurement	Identify other rewards within the role such as: national service, high level visibility, enhanced image for consulting later on, etc.

When all of the data above is determined to be accurate, the decisions will have to involve several considerations:

- To what degree is the final package attractive in monetary terms alone?
- To what degree is the final package attractive in non-monetary terms?
- Which approach is most compatible with current public service practices?
- Which approach highlights which factors of overall public service hiring?
- To what degree can BMPIU become a model for attracting additional expertise into public service?

These questions are currently setting the shape and guiding the framework of the proposed Procurement Commission that would replace the BMPIU.

### **Website and Intranet Development**

The official website for the BMPIU was designed by the BPS Project to facilitate interface between the public and the Unit. Hitherto, the public had little access to the unit. The site's primary responsibility is to facilitate government's transparency initiatives on public funds. The site has the following components:

- **Server-Based Security:** The system is password protected. An administrator password is required to log on to the restricted section of the site.
- **Web Request Monitor:** The system supports a monitoring window that allows the system administrator to monitor all activities/requests going on in the system. Incoming traffic, outgoing responses, Invalid request, and throughput can be monitored.
- **System Customization:** The system can be configured to meet organizational needs and requirements.
- **Resilience and Reliability:** The system has built-in error and integrity checking with alerting functionalities that run without human intervention.

The site is maintained by the BMPIU office and certain section of the site is password protected that gives access only to authorized users of the unit. A diagram is shown in the Annex.

## **OVERSIGHT OF THE ACTIVITY**

Mr. Peter Davies, the DAI Home office Economics, Trade and Practice Manager until November 2004, provided oversight functions to the project. These functions encapsulated technical backstops; field trip visits; and management and advisory roles. Mr. Davies made two management trips to the field in 2004 for an update to the mission and the home office. During his last management trip, an expansion of the scope of the project, which was consistent with the **SO 12** objectives, was developed. The extension of BPSP operation at no cost for up to two months was basically to provide additional support to the Budget Monitoring and Price Intelligence Unit communication strategy in the President's Office and to assist the Better Business Initiative (BBI). BPS support for the BBI is a result of DAI's keen interest in "competitiveness", having established a Center for Competitiveness

and Structural Reform at DAI and having just completed an assessment of the Enterprise Growth Initiative: Strategic Directions and Options for **USAID EGAT** in June 2004.

With the restructuring of the project management November 2004 for effective delivery to the **SO 12** objectives leading to the termination of the position of a resident COP, the then Project Economist, Kanayo Ogujiuba, was promoted to the position of Acting Team Leader for the Budget Process Support Project (BPSP), effective December 2004. In addition, David Tardif-Douglas – the new Home Office Trade and Practice Manager – was assigned off-site project supervision on behalf of DAI, USAID’s Implementing Partner. As Non-Resident COP, David (hereafter NRCOP) remained in regular contact with Acting Team Leader, Kanayo Ogujiuba (hereafter ATL), from DAI’s Bethesda, Maryland home office, primarily providing management and technical support on an as-needed basis. To strengthen this support, the NRCOP conducted two management trips to the project to the field. The objectives of the management trip by the NRCOP were primarily to ensure that the final weeks of the project remained productive and active while focusing on management activities that needed to be undertaken to ensure the orderly technical completion of the project deliverables. He focused on preparation for the final report and other deliverables of the project. Specifically, he worked on expenditures, remaining budget and final projections of funds required for completion of the project. The oversight function of the home office was a combination of theoretical concepts, techniques and practical application based on experience in the field.

## **USAID SUPERVISION OF BPSP**

The Team leader of **SO 12**, CTO – ‘Cognizant Technical Officer’ to the project and the entire team members of **SO 12**, displayed a deep understanding of the project goals and sensitivity to Nigerian counterparts. Our partners benefited from the professional atmosphere that existed between the Project and the Mission.

## **IV. SPECIAL ISSUES**

### **STUDY TOUR TO GHANA**

A study tour to Ghana Ministry of Finance was organized by the BPS Project for member staff of the Budget Office led by the Director-General of the Budget Office from the 6<sup>th</sup> to the 8<sup>th</sup> of April 2005.

Purpose of the visit:

- To understand the approach the Government of Ghana took in implementing the Medium Term Expenditure Framework (MTEF) component of her integrated Public Financial Management Reform Program (PUFMARP).

Areas of Specific Interest that the visit addressed:

- Macroeconomic/Fiscal Framework
- Sectoral Programs and Expenditure Frameworks
- Sector Resource allocations
- Aggregate limits and Allocations to MDAs
- Budget Preparation and Approval
- Budget Execution
- Budget Monitoring and Reporting

Contacts and Institutions visited in Ghana for detailed discussions on the MTEF process:

- Ministry of Finance & Economic Planning
- Budget Office
- Revenue Agency Governing Board
- National Development Planning Commission
- Bank of Ghana
- Controller and Accountant General's Office
- West African Monitoring Institute
- Ministry of Health
- Ministry of Rural Development

The trip to Ghana sparked positive responses from the Budget Office of Nigeria. Alternative ways of Controlling Cash flows and Government transactions are now being examined, using the Ghana example. In addition, restructuring the accounts of MDAs to encourage fiscal discipline for better monetary policy implementation is an outcome of the study visit. Use of budget data in Ghana to meet budget targets of lower inflation rates is quite encouraging and this gives a robust stance to their fiscal discipline, which Nigeria could emulate.

### **BETTER BUSINESS INITIATIVE – BBI**

The success of the BBI forum held April 19-20, 2005, sponsored by the USAID under the Budget Process Support Project increased stakeholders' appreciation of the possibilities in public-private dialogue on policy and institutional reforms in Nigeria. Now, the BBI has received widespread visibility and several other Nigeria public-private networks are emulating its methodology. There is large scope for REFORMS to work through BBI to foster public-private dialogue on key sectoral and institutional - crosscutting issues and questions. BBI is a network platform and unifying framework to deepen capacities of private sector organizations such as the NESG, MAN, NASSI, NASME to engage government more credibly and strategically.

### **ICPC**

The Government's desire to educate and inform stakeholders is a fundamental need for transparency and accountability. This is at the very heart of an enhanced budget process, raising the costs of corruption. Significant progress has been made since promulgation of the Act in 2000 – ICPC has prosecuted numerous corruption cases, while efforts to bring Nigeria away from the abyss of corruption are ongoing. The communications program devised for the ICPC by the BPSP, if adequately funded, will aim to achieve the following broad objectives:

- Generate and sustain, at all levels of government and society, greater awareness and support for the FGN's anti-corruption crusade – one of the principal mandates of the ICPC;
- Design and put in place mechanisms to promote widespread awareness of the Corrupt Practices and Other Related Offenses Act, combat corrupt attitudes and practices in government and society, foster transparency and increase public trust in ICPC activities and Public Resource management by the government;
- Attract stakeholders, domestic and international, to participate in and support FGN anti-corruption activities as undertaken by the ICPC, and markedly increase their trust in the transparent functioning of government and society;
- Build capacity, in the form of a fully trained team, to further develop and implement the communications program of the ICPC beyond the consultant's assignment; and,
- Achieve measurable success in shaping government and public attitudes opposed to corruption and the ICPC's oversight, educational and enlightenment role.

## V. LEVEL OF EFFORTS EXPENDED

<u>NAME</u>	<u>LABOR CATEGORY</u> <u>DESCRIPTION</u>	<u>TOTAL</u> <u>DAYS</u>	<u>TOTAL</u> <u>HOURS</u>
BOBBIE MIRCHEVA	Start-Up Manager	45.00	360.0
DAVID TARDIF-DOUGLIN	Bethesda Technical Adviser	5.88	47.0
GEORGE GUESS	Snr Budget Spec	14.00	112.0
HEATHER ROME	Heather Rome	14.00	112.0
JONATHAN DUNN	Consultant	79.00	632.0
KANAYO OGUJIUBA	Kanayo - Dec 03	335.50	2,684.0
LEVON BARKHUDARYAN	Public Expend Mgmt	28.00	224.0
MANDE COULIBALY	IT Installment and Support	10.00	80.0
MARK GALLAGHER	Snr Cost Benefit	40.00	320.0
MANSON NWAFOR	Economic Assistant	100.00	800.0
MACK OTT	Snr Work Plan Dev	12.00	96.0
MARK GALLAGHER	Snr Cost Benefit	18.00	144.0
MEL SCHNAPPER	Human Resources	60.00	480.0
PAUL BANERJEE	Snr Budget Spec	309.38	2,475.0
PAUL BECKERMAN	Paul Beckerman	7.00	56.0
PETER DAVIS	Peter Davis	18.00	144.0
PETER GRIFFIN	Snr Budget Spec	166.00	1,328.0
ULRICH ERNST	Snr Macroeconomic	12.00	96.0
ROY NYGAARD	Communications Adviser	24.00	192.0
STEVE ROZNER	Start-Up Manager	12.00	96.0
ULRICH ERNST	Snr Macroeconomic	84.06	672.5
WILLIAM SALAZAR	IT Specialist	23.00	184.0
<b>TOTAL LABOR</b>		<b>1,416.81</b>	<b>11,334.5</b>

## VI. IMPACT OF INTERMEDIATE RESULTS

### GOVERNMENT OF NIGERIA'S ECONOMIC POLICY FORMULATION PROCESS IMPROVED

In summary, the assistance in budgeting includes initiatives to improve public expenditure management, strengthening institutional structure, and increased transparency, support the development of an information technology plan, enhanced technical capacity, and introduce a multi-

year budget process. These are aimed at supporting a sound macroeconomic framework – a principal objective of the NEED Strategy.

Assistance to the BMPIU's Due Process is principally in three areas: human resource restructuring, sponsoring a communication strategy and the development of a website (under way).

Various outcomes and decisions demonstrate that the efforts of the BPS Project are contributing to an improved policy environment.

- The draft 2005 Budget was announced on October 12, 2004, earlier than in past years;
- The MTEF introduced, strengthened public expenditure management;
- The new chart of accounts heightened transparency;
- Positive stories in the media about BMPIU's communication strategy are dispelling the misperception of the Due Process;
- The organizational frameworks for the BOF and BMPIU restructured.

Summarily, the BPS Project paid special attention to the following concepts in Nigeria

- The inter-relationship between the government budget and the national economy is improving at a steady pace;
- Analytical techniques and tools such as cost benefit analysis, input, output and outcome oriented budgeting techniques are now internalized in the system;
- The role of improved and novel budget processes in enhancing the efficiency of public expenditures;
- Issues and challenges in promoting budget and financial reform.

## **VII. PROBLEMS AND OPPORTUNITIES**

The project faced various challenges as well as opportunities:

- The difficulty in training staff members without any initial background in economic related disciplines in the BOF and line ministries involved deeply in the Budget Process.
- The introduction of a paradigm shift in Budgeting Process raised pertinent issues related to the overall reform process.
- Competence developed in the area of Non-oil revenue modeling among the various members of the macroeconomic forecasting group.
- The support to the two principal agencies proved to be very valuable.
- A macroeconomic model is been used by the macro group for the different agencies of government they represent.
- The BPS project supported the first Better Business Initiative Network, made up of NESG, MAN, and Lagos Business School, which the African Institute for Applied Economics coordinates.

## **VIII. SUMMARY**

The official end of the Task Order occurred two months after its scheduled conclusion date. The extension of this project illustrated that all parties involved--the BOF, BMPIU, other key government

agencies involved in the reform, the USAID Mission in Nigeria and DAI--recognized that the technical assistance being provided for the implementation of the “Nigeria-Budget Process Support Project” was not only successful but essential and should have lasted for as long as there were resources available. The primary objective of this effort was to provide sufficient technical assistance and training to strengthen the capabilities of the BOF and BMPIU and allied agencies.

By the end of this contract, there was no doubt that this USAID-funded assistance was instrumental in moving the budget process forward. Both the BOF and BMPIU continued with the fundamentals outlined in the reforms. The importance and early submission of 2005 Appropriation Bill by the BOF and the transparency of the entire process have given credence to the input of the project. In addition, the GFRN have been able to save millions of dollars through the Due Process Mechanism (BMPIU) transparent methods leading to the endorsement of the unit by both multilateral and bilateral for further assistance.

There is no doubt that the addition of the Task Order regarding the BMPIU has made the project the main force behind the government’s efforts to develop a lasting institutional infrastructure for ‘value for money’.

The USAID-funded BPSP Team members worked in the following areas: Human Resource Organization, Call Circular, Medium-Term Framework, Macroeconomic Modeling, Medium-Term Programming, Competitiveness, Information Communication Technology and Integrated Financial Management Systems. More specifically, this Task Order contributed significantly to achieving important institutional gains, particularly in its ability to assist both the BOF and BMPIU to carry out professional and transparent processes. The implementation of this delicate project, which is at the hub of Nigeria’s fiscal policy reforms, however, was heavily reliant on the professional skills and expertise of the management team of the BPS project.

Much of the initial work of the BPS Team focused on the organizational and procedural developments necessary to institutionalize procedures for transforming the BOF and BMPIU into organizations that can carry out a transparent, robust and macroeconomically sound budget process. To understand more fully the importance of the Project and significant gains achieved up to the end of the Task Order, it should be viewed in light of the capabilities of the institutions prior to the arrival of the project. Without a doubt, the accomplishments of the professional resources the BPSP placed at the disposal of the institutions can be traced to the concerted efforts that the USAID Mission and the counterparts put into ensuring that the Technical Assistance would work. The vision and leadership style of the heads of the institutions made it very easy for the BPS Project Team to maximize and optimize the benefits brought to the institutions.

## **IX. LESSONS LEARNED**

The following are lessons/knowledge learned on the completed project:

- Methods of unifying the recurrent and capital budgets
- How to establish well-defined sectoral objectives and strategies
- Best practices of line ministries investment policy discretion in reference to the budget process.
- Techniques of improving the costing of capital projects in the appropriation bill
- Linkage of capital investment with the MTEF

- Monitoring of capital spending via audits, controls, and computerization
- Training enhancing modes for the development of project profiles and feasibility studies

## X. RECOMMENDATIONS

As a way of recommendation, the following are ideal new areas of emphasis for a follow on project:

- Fiscal aspects of external and domestic debt in relation to the budget process: This relates to a mechanism for the realignment of the total debt in relation to the domestic debt in setting the stage for more of capital expenditure. This is the core of NEEDS in building the much needed infrastructure for private sector driven economy.
- Budget implementation, cash budgeting, and monitoring techniques: Cash management has the following purposes: controlling spending in the aggregate, implementing the budget efficiently, minimizing of the cost of government borrowing, maximizing the opportunity cost of resources, and minimizing idle balances in government accounts. Financial planning and cash flow forecasts are needed both to ensure that cash outflows are compatible with cash inflows and to prepare borrowing plans.
- Management of recurrent costs – especially in sectors
- Input-control and output-oriented budget techniques
- Financial programming for the budget office and National Planning Commission
- Need to focus on the key issues regarding budget automation: This will involve integrating the spending agencies, through Internet or other connections between them and the BOF.
  - the link between the OAGF and the BOF
  - link between the BOF and Customs and Inland revenue
  - link between the BOF and the line ministries (expenditures)
  - link between the Debt office and the BOF
- A local budget management tool needs to be developed. It may include:
  - Creation of proposed commitments,
  - Transfer of proposed commitments to the central system,
  - Retrieval of confirmed/rejected commitments from the central system,
  - Payment management,
  - Assistance for requests of monthly cash releases,
  - Retrieval of cash releases (i.e. mandates of payment),
  - Reporting to the central authority
- The private sector needs to be assisted to process divergent views into a common policy agenda upon which government can be engaged.
- Capacity building for private sector organizations is imperative - in-house analytical capacity and policy appraisal, advocacy skills building and communications are important areas for strengthening.
- More support needs to be given to the BMPIU process for an enhanced and sustainable framework. The communication strategy needs to be deepened to reflect the dynamics of the changing environment.

- BMPIU requires further assistance to enable them follow proper procurement procedures that are in line with norms set in price intelligence as they transform to a Procurement Commission.
- An effort should be made, in collaboration with government, Central Bank, and academic economists, to formulate a “first-draft” medium-term macroeconomic framework for Nigeria, and that this should be fully integrated with the MTEF. The NgMC.xls worksheet could be used as a starting point.
- A full analysis of Nigeria’s present budget-formulation and –execution processes, with a view to understanding when and how the medium-term programming exercises could be brought to bear on those processes.
- Efforts should be made to identify state governments that might possess the capacity and willingness to begin undertaking medium-term programming activities.
- The training in macroeconomics and budgeting for the BOF calls for considerable effort;
- A better mechanism for liaising with other Implementing Partners (e.g., NDI, MCID, AIAE) in a project would support crosscutting objectives, such as improving the business environment, legislative strengthening and transparency in the award of Government contracts.
- There is certainly a need for additional investment of resources into training other forms of support for the development of civil society capacity. Moreover, CSOs own “fiscal literacy” (in the sense of budget policy analysis) is low, as is their implementation capacity for a public education campaign. There are clearly opportunities for delivering technical assistance to address both these issues, i.e. CSO’s own analytical capacity and their implementation capacity for educating and engaging the public.
- Supporting development of CSO network on budget analysis and monitoring: Learning more about CSO networks is one way to improve internal analytical capacity of CSOs themselves, their outreach to the public, and with an eye to extending the geographic range to states and local jurisdictions. Support for CSO networks specifically engaged in budget related issues could include support for some regional CSO centers, workshops where CSOs meet to share experiences, strategies and materials found to be of use in their own local areas, support for development of some standard public education, training or advocacy materials easily transferred or adaptable to other states and localities.
- Identifying and developing specific mechanisms for CSO and public participation in budget process: Additional technical resources could be usefully applied to identify specific mechanisms offering such access to public policy formulation. That and other avenues for CSO and public participation should be explored, and further technical assistance could be helpful in this effort.
- Public-private dialogue should not be reduced to mere events, whether annual or semiannual. Building mechanisms that are widely patronized, locally owned and sustained is an important challenge. It is also important to achieve some levels of harmony in policy positions by mainstream private sector in order to send clear messages to government.

## XI. List of Annexes

Annex A	BPSP Project Timeline _____ August, 2002 to May, 2005
Annex B	Task Order Scope of Work
Annex C	Budget Monitoring and Price Intelligence Unit's Website

### ANNEX A

#### BPSP PROJECT TIMELINE

Specific Activities:	Description	Completion Date
<b>Economic Planning</b>		
Workshops	Economic Planning and Forecasting workgroup	February 2005
Presentation	Proposal for the planning and Forecasting Process	June 2003
Data collection	“Official” Economic database	May 2003
Discussion Paper	Statistical Balancing methods	November 2003
Programming and Estimation	Research Database	November 2003
Manual	Data maintenance of Economic Model Database	July 2003
Training	Database maintenance and balancing methods	February 2004
Application	Macroeconomic model	June 2003
Report	The Macroeconomic Model of Nigeria	July 2003
Manual	Guidelines for the use of the Macroeconomic model	November 2003
Training	Macroeconomics and use of the Macroeconomic model	February 2004
Report	Medium Term Expenditure Framework 2005-07	July 2004
Manual	Preparation of MTEF	July 2004
Web Report/Report	Government Economic Framework 2004 – Technical Report	July 2003
Training	Medium - Term Programming	February 2005
Training	Medium - Term Expenditure Framework	March 2005
Web Report/Report	Citizens’ Guide to the Government Economic Framework 2004	March 2005
Forecast Database	Government Economic Forecast 2004	October 2004
Forecast Database	Government Economic Forecast 2004 – update	January 2003
<b>Budget Classification System</b>		
Workshops	Organizations and Coverage of the Budget workgroup	April 2004
Report	Organizational Classification and Coverage of the Budget	June 2004
Workshops	Object expenditure and Functional Classifications Workgroup	November 2003
Report	Object expenditure and Functional Classifications	June 2003

Manual	Budget Classifications - User Guide and Procedures Manual	June 2003
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#### Pre-budget Preparation

Workshops	Due Process: Feasibility Studies and standards for Project Preparation	May 2003
Database	Price intelligence Database	March 2005
Manual	Manual for Project Preparation and Project Selection Criteria	June 2004
Training	Project Preparation and Evaluation	June 2005

#### Budget Preparation

Workshops	Budget Preparation procedures and tools for FY 2004	July 2003
Workshops	Budget Preparation procedures and tools for FY 2005	April 2004
Web Manual/Manual	Manual for Budget Preparation 2004	September 2003
Web Manual/Manual	Manual for Program Budgeting 2005	April 2004
Web Report/Report	Call Circular for 2004 Budget	September 2003
Web Utility/Application	Computer Aided Budgeting Application 2004	September 2003
Web Utility/Application	Computer Aided Budgeting Application 2005	May 2004
Web Report/Report	Draft Appropriation Act – Budget 2004	December 2003
Web Report/Report	Citizens’ Guide to the 2004 Budget	February 2004
Web Report/Report	Draft Appropriation Act – Budget 2005	December 2004
Web Report/Report	Citizens’ Guide to the 2005 Budget	February 2005

## ANNEX B

### TERMS OF REFERENCE

#### CAPACITY STRENGTHENING AND INSTITUTIONAL DEVELOPMENT OF THE BUDGET OFFICE OF THE FEDERATION (BOF) AND THE BUDGET MONITORING AND PRICE INTELLIGENCE (BMPIU) UNIT

##### OBJECTIVE

This task Order is focused on assisting two organizations within the Government of the federal Republic of Nigeria (GFRN) that are key to the ongoing national budgetary process. These are the Budget Office of the federation (BOF) in the Ministry of Finance and the Budget Monitoring and Price Intelligence (BMPIU) Unit of

the Office of the President. Institutional capacity of the target organizations will be strengthened through the provision of a combination of: long and short-term technical assistance (T.A.); in-country training; and procurement and installation of computers and appropriate software.

The BOF is the fiscal and budget management organization within the Ministry of Finance. It is charged with putting in place a practical and transparent governmental budgeting process. To accomplish this objective, it is essential to develop and implement a pragmatic training program for officials of both BOF and selected line ministries within the GFRN. In addition, the installation of an up-to-date computerized system which allows for access to the internet is absolutely essential.

The BMPIU is the unit responsible for insuring that the office of the President is fully informed about the budgetary process at three levels: (a) budget formulation – providing a tool which will ensure accuracy, reasonableness and authenticity of expenditure proposals submitted by various governmental units; (b) budget prioritization – establishing the strategic and planning priorities for future allocation of resources; and (c) budget execution - enhancing the efficiency and the effectiveness of programs and service delivery as well as the overall management of resources.

## **STATEMENT OF WORK**

Task/work Requirement:

The BOF Component – The BOF is responsible for the presentation of the annual budget and the President presents it to the National Assembly by the end of September. BOF complied with this timetable in 2002; however the process was subject to all of the weaknesses noted above. Therefore, every effort must be made to have the required T.A. in place, in the BOF, as soon as possible so as to improve the 2003 budget process.

Although the Phillips Committee Report is a commendable study of a current situation in Nigeria, it should be noted that both the IMF and the World Bank have already done a great deal of work in Nigeria related to fiscal transparency.

Such efforts should be used, by the USAID contractor, as valuable resources for the tasks that they are charged with. No one wants to “reinvent the wheel...” in Nigeria. Rather, such earlier T.A. efforts should be viewed as the starting place for the BOF reorientation that will result in a national budgetary process that satisfies accepted international standards and, where necessary, adapts them to the requirements of Nigeria.

a. BOF Responsibilities – The IMF-led mission concluded that the BOF reorientation should focus on the following responsibilities, which provide a guide to what is expected from the USAID-funded contractor:

Asserting lead responsibility for preparing the annual GFRN budget and improving the quality and comprehensiveness of the budget preparation process;

- Improving the flow and quality of information to government decision-making structures and to the public, so as to increase collective government responsibility for the budget and the public’s understanding of the issues involved and resulting decisions;
- Developing sector knowledge so as to provide a second opinion on policy issues and submission, irrespective of whether the budget remains a dual (recurrent/capital) budget or not;
- Developing active budget monitoring capabilities which focus on implementations for budgetary management while provoking corrective actions, when necessary, rather than merely continuing to monitor only to the physical completion of projects;

- Developing a capacity to provide advice on the formulation of macroeconomic and fiscal policy' that contribute to the achievement of overall economic objectives; and
  - Vacating some areas (such as the Traffic review Board), which are somewhat peripheral to core budget management responsibilities
- b. BOF Tasks – Such a refocusing of operational priorities will be accomplished by the BOF completing the following tasks that may involve the active advice and assistance of the USAID-funded contractor:
- The rapid infusion of adequately trained staff, oriented to the revitalization of the organization so as to provide enhanced performance and capabilities:
  - The reassignment or detailed of appropriate staff from other GFRN agencies and ministries to the BOF by the Ministry of Establishments and Manpower supply:
  - The establishment of a BOF computer network that uses commercial software applications (i.e. spreadsheet, etc.) to access a common database that is at the core of the development of a comprehensive GFRN financial management information system.
  - The exposure of BOF staff to the 'best' budget management practices of other countries;
  - The development of formal liaison and information sharing processes with other key players in the budget process, such as EPCC, NPC, etc.
  - Contractor Tasks – The USAID-funded contractor will be responsible for enhancing the capabilities of the BMPIU by completing specific tasks:
- c. Institutional strengthening – The contractor will assist the BOF to implement the recommendations of the Phillips Committee and other related studies of the Nigeria Budget process. Long and short-term advisory services will focus on the areas of: revenue; expenditures; fiscal policy; budget monitoring and evaluation.

The contractor will be responsible for providing the BOF with: the new organizational procedures that all agencies, involved in the annual budget process, can refer to, a new BOF organization chart; a comprehensive set of job descriptions for BOF staff; and the installed new computer equipment and specialized software.

(ii) Staff Training – The contractor will be responsible for developing and implementing an in-country training program for the BOF, which provides the following:

- Training in the use of the new operational procedures for BOF staff and key government personnel that are involved with developing the annual national budget;
- Initiating a pilot activity with one of the line ministry involved in the budget process, so as to demonstrate how various agencies and ministries throughout the government should be involved in the annual budget cycle;
- Training a core group of BOF and involved ministry staff to gain hands-on experience, during the life of the contract, in using the new systems and computers for budget preparation and execution.

(iii) Computerization – The contractor will provide the BOF with the computing equipment and software that is required for the annual budgetary process. To do this the contractor will develop a comprehensive assessment and listing of required computer equipment, software and supplies. Subsequent to USAID and BOF approval, the contractor will procure the required computer equipment, software, replacement parts, installation and service arrangements for the new system. The contractor will then thoroughly test the new computer system and complete the training outlined above.

The BMPIU Component – The existing GFRN budget process calls for the submission to the Ministry of Finance, by each of the other ministries, of a fiscal year expenditure plan. Concurrent with such submissions, the BMPIU is to be provided with the design, appraisal and costing data used to formulate all capital projects. Subsequently, the BMPIU evaluates such proposals, so as to facilitate the President’s deliberation of budget priorities and project selection. The aim is to eliminate any disconnect between policy priorities and actual allocation of funding in the annual GFRN budget.

In order to undertake and complete all of the above, the BMPIU, requires, on a case-by-case, access to qualify outside international and local experts.

a. BMPIU Operational Priorities – The BMPIU focuses on the following operational Priorities that provide a guide to what is expected from the USAID-funded contractor.

- Ensuring budget quality so as to enhance accuracy, reasonableness, reliability and scale economy of common expenditure items across spending units.
- Facilitating greater connectivity between budget size and the quality of capital expenditure so as to reduce the levels of corruption and waste in the budget.
- Facilitating enforcement of compliance with ‘due process’ standards in the development of proposals.
- Enhancing the ability of the President to focus expenditure priorities so as to coincide with stated government policy priorities
- Eliminating the President’s dependence on the ministries for information related to the status of public expenditure
- Enhancing the identification of the costs and benefits of alternative expenditure decisions and thereby ensuring that the most optimal decisions related to resource allocation can be made
- Providing a foundation for advanced computer systems utilization in public budget management.
- Utilizing a monitoring system capable of presenting the budget expenditure plan in its entirety, so as to identify suspicious activities that might be disguised to avoid detection.
- Enhancing ex-post accountability and transparency of the budget by providing historic information as a guide to the future decision-making.

b. BMPIU Tasks- The following specific BMPIU outputs provide a guide to the type:

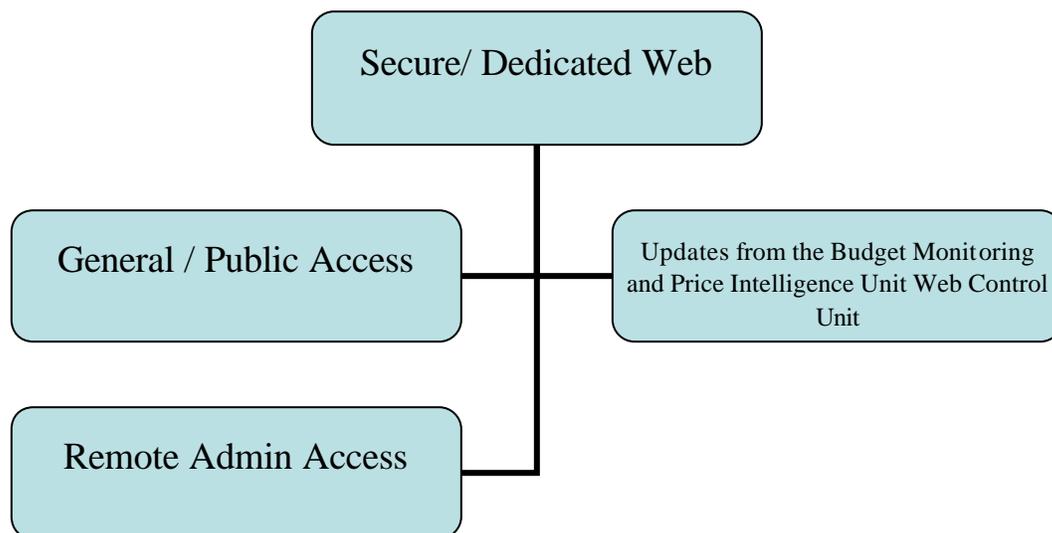
- Budget proposal cost verification and benchmarking for every spending unit.

- Proposal analysis of all relevant spending units, as a scaling measure, to determine which expenditures should be proposed, either in whole or in part.
- Analysis of resource availability and policy priorities.
- Quarterly, cumulative and annual statements of the operating and capital expenditures by expenditure summarizes
  - Budget expenditure evaluation plans.
  - Physical performance report of capital projects, through spot checks, sampling, or on-the-job observation, or inspections and certification of the amount of work done and outstanding disbursements.
  - Price, manufacturers' database and a Projects Information Clearinghouse for the President.
  - A matrix of quantifiable targets Performance Indicators of output quantity, quality, timeliness and costs for past, current and future years across spending units and comparable international projects.

c. Contractors Tasks – The USAID-funded contractor is responsible for the provision, on a case by case basis, of short-term advisory service required to assist the BMPI complete the tasks outlined above. Notwithstanding this such services will concentrate on the first two tasks above. Present estimates are that up to 100 person days of expatriate and 100 person days of local expertise will be required by BMPI for these purposes. Such assignments will, for the most part, require engineering expertise in key budget areas such as: transportation infrastructure, power, water systems, and urban infrastructure. The contractor will be expected to provide, in the Work Plan, a more detailed listing of the types and timings of such short-term advisory services. The individual Terms of Reference for each of these assignments will be finalized with the BMPI prior to contracting for or initializing travel by such short-term advisors.

d. The Overall results of the Contracts – The expectation is that the contractor's work will have a direct and positive impact on the GFRN's budgetary process. By the end of the contract there will be significant and measurable improvement in the level of transparency, efficiency and effectiveness of the budgetary process as a whole. Institutional capacity of the BOF will have been measurably strengthened, while the overall merging of BMPI budget responsibilities into the overall charge of the BOF will be completed or well under way. Training will be completed and a computerization, in the budgetary process, will be a fact of life.

## ANNEX C



Detailed BMPIU Website Configuration		
	<a href="http://www.BMPIU.gov.ng">www.BMPIU.gov.ng</a>	
Plan Duration		24 Months
In-house Web Master Training		Yes
Intranet Connectivity		Yes
Disk Space & Traffic		
Disk Space (Dual Disk Drives, Raid 1)		500 MB
Monthly Traffic / Data Transfer <sup>1</sup>		12 GB
Sub-Domains (abc.BMPIU.gov.ng)		20
Domain Alias		Yes
Development Tools		
0	<b>Active Server Pages</b>	
Email Services		
	Email Manager (Control panel)	Yes
	Virtual SMTP / POP3 server	Yes
	E-mail/POP3 accounts	Unlimited
	Email forwarding	Unlimited

Email aliases	Unlimited
Auto-responders	Unlimited
Automated mailing lists <sup>2</sup>	Ten
Web/POP3 e-mail access	Yes
IMAP Support	Yes
Address book	Yes
Create and Manage Mailboxes	Yes
"Catch-all" e-mail alias	Yes
Search for mail messages	Yes
Modify user preferences	Yes
<b>Robust Site Management Tools</b>	
<b>Hosting Control Panel</b> in 7 languages	Yes
Web Site Studio	Yes
<a href="#">Email Manager</a>	Yes
Web Server Configuration Manager	Yes
<a href="#">Domain Names Manager</a>	Yes
Password Manager	Yes
<b>Guarantees</b>	
99.9% uptime guarantee	Yes