

NIGERIA'S 2015 AGRICULTURE BUDGET PROPOSAL: A REVIEW OF ITS EFFICIENCY



Agriculture is driving the seat of development in the Nigeria's Transformation Agenda

1.0. INTRODUCTION

Nigeria's budget and fiscal management for 2015 promises to be uniquely challenging for the country because of the consistent fall in the international price of the country's major source of revenue (oil). In addition to that particular challenge, 2015 happens to be Nigeria's general election year and if as usual history is not misleading, politicians are likely to deploy public resources to their political and electioneering campaigns over and above the normal budget priorities.

While these are happening, the Transformation Agenda (TA) 2011-2015 of the federal government which places agricultural development at the driving seat of the economy is still on course and as such the sector is still priority for government. In fact, 2015 should be a year of consolidating and evaluating the outcomes of the TA since this is the end year of the present phase. So, budgetary resources may be required to implement activities towards closing any gaps and the extent to which that is reflected in the 2015 proposal is to be seen.

In this special edition of the NANTS budget advocacy series, we have reviewed the highlights of the 2015 budget proposed by the Executive and the place that Agriculture occupies and moved ahead to evaluate how responsive it is to the challenge of dwindling revenue and need to prioritise agricultural development as a natural alternative to the fast failing oil sector.

In previous editions, NANTS made recommendation which if substantially adhered to could help the country towards management of its resources especially at this precarious time of dwindling revenue generation. There may be no better time than now to re-emphasize those recommendations for more efficient budgeting and budget management practice in the country. That is what this piece aims to advocate.

2.0. HIGHLIGHTS OF THE 2015 BUDGET

For the year 2015, a total expenditure of four trillion, three hundred and fifty seven billion, nine hundred and sixty million (N4,357,960, 000, 000) is proposed

by the federal government. Out of this, three hundred and eighty seven billion, one hundred and twelve million, five hundred and seventy three thousand, seven hundred and sixty nine Naira (N387, 112, 573,769) was projected for capital expenditure representing 8.9%.

91.1% of the proposed total expenditure amounting to two trillion, six hundred and sixteen billion, seven million, four hundred and twenty six thousand, and two hundred and thirty three was planned for recurrent expenditure. The oil price benchmark was revised down from the originally thought \$78 to \$65 upon which the current proposal is based. The budgeted oil production is 2.2782 million barrels per day amounting to a shortfall of 0.2715mbpd compared to estimate target of 2.5497mbpd in the Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) 2014-2016. The Gross Domestic Product growth rate for 2015 is projected at 5.5%.

The Budget Office of the Federation (BOF) through a presentation on the 2015 FGN proposed Budget clearly appraised the budget and noted that some adjustments have been thought through and incorporated into the 2015 budgeting for 'managing the present economic storm'. The presentation listed the following as adopted strategies:

- i. More aggressive non-oil revenue drive
- ii. More efficient expenditure
- iii. Protect average and vulnerable citizens
- iv. Surcharge luxury goods such as new private jets, luxury cars, business/first class air tickets, etc.
- v. Salaries and pension benefits to be protected

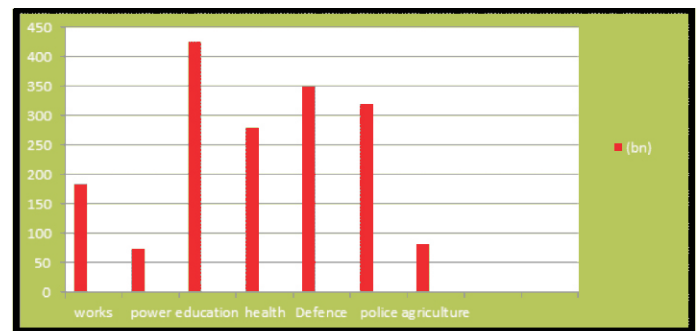


Mobilizing more non-oil revenue (eg palm oil processing company) is critical to Nigeria's future growth

It is commendable that the Budget Office has accepted these strategies which many individuals and CSOs such as NANTS have over the years been asking the Nigerian government to adopt. What one tempting question remains, why did it take the Nigerian Government this long to realise the need to apply some conservative approach or prudence in spending? The most striking of the strategies is more efficient expenditure which can easily be interpreted to mean that the usually ritualistic, over-bloated, frivolous, repetitive and ambiguous budget items of MDAs and that of some institutions such as the Presidency and the National Assembly (NASS) need to be trimmed.

3.0. X-RAYING THE 2015 PROPOSED AGRICULTURE BUDGET

Comparison of the Agriculture budget line items to others



Out of the total federal budget of N4,357,960,000,000, Agriculture and Rural Development Sector was allocated the proposed total of N39, 151,988,128 representing 0.9%.

Within the sector, the N39.15billion was further divided into personnel cost of N30,008,231,920; overhead cost of N2,199,756,208; and capital projects cost of N6,944,000,000. These costs cater for forty-one MDAs within the sector.

X-raying the entire budget of the MDAs will make the piece unwieldy to write and read. We have therefore chosen to dwell as usual on the proposals for the sector's lead MDA which is the Federal Ministry of Agriculture and Rural Development (FMARD). This is because it reflects the practice in the other MDAs within the sector and indeed that of the whole federal budget and perhaps other tiers of government.

Review of agriculture Budget implementation over 5 years (budgeted versus actual)

Years	Capital Budget (N)billion capital Budget (N)billion	Amount released (N)billion	Amount cash backed (N)billion	Utilization of cash backed funds (N)billion	%age of cash backed amounts	%age of total releases
2010	31.86	26.73	26.72	17.88	66.92	66.91
2011	31.4	21.50	21.50	21.43	99.66	99.66
2012	44.66	13.89	13.35	8.24	61.75	59.34
2013	48.73	---	---	---	---	---
2014		Not yet clear	Not yet clear	Not yet clear	Not yet clear	Not yet clear

3.1. KEY ISSUES ON THE PROPOSED 2015 FMARD BUDGET

The FMARD has a total budget proposal of N12,821,317,898 with N7,332,577,930 for recurrent expenditure and N5,488,739,968 for capital projects. In percentage form, these figures represent 57.25% and 42.8% respectively. If the recurrent is further subdivided into personnel and overhead costs, it goes to show the total sum of N7,071,944,319 and N260,633,611 respectively.

As the manner of this series is, we do not join issues with personnel cost because they appertain to paying legitimate wages of staff of the MDA that are duly employed and rendering daily services to the MDA and thus deserve to be paid¹. We also recognize that to implement capital projects which lead to real infrastructural and sector transformation, some overhead costs may need be incurred. However, where we have serious concerns is in what constitutes the overheads and the 'reasonable-ness' of the sizes of allocations. In our judgement based on economic justice, fairness, sincerity of purpose, best practices from other economies, some of the items are immoral if not illegal.

Furthermore, the budget items which are lawful are either ritualistic in terms of occurring unnecessarily every year or over-bloated in size. More so, other line items are repetitive in terms of having similar items differently provided for, or ambiguous in terms of an average citizen saying what exactly the line item means, or even frivolous in terms of the line item being unwarranted in the face of the dire economic and social deprivation that the rest of the society faces.

We have consistently argued that these line items should be screened line by line by the NASS and trimmed to reasonable size. We have also argued that MDAs instead of having these items that serve as conduit pipe for civil service corruption, funds saved from them could be rechanneled to the much needed capital projects like fertilizer production, procurement and distribution which will increase food production. They may also help in building much needed primary schools and health care centres.

Below is a table showing the overhead and capital projects cost as proposed by the FMARD and what is our considered appropriate attitude of the NASS² to the line item:

S/No	Item	Proposed budget (N)	Considerations	Recommended reaction by NASS
OVERHEAD LINE ITEMS				
01	Local Travel and Transport: Training	16,815,116	Repetitive and distracts from capital budget implementation	Collapse all 01,02 and 19 into one line item of training and reduce the cumulative budget proposal by 50%
02	Local Travel and Transport: Others	27,402,411	Same as above	Same as above
03	Electricity charges	25,845,456	Frivolously Over-bloated	Reduce by 70%
04	Telephone charges	2,491,128	Unrealistic in the light of budget constraints	Reduce by 50% and NASS to oversee actual expenditure
05	Water Rates	4,048,083	Over-bloated	Reduce by 30%
06	Office stationeries/ consumables	33,009,450	Over-bloated	Reduce by 70%
07	Newspaper	2,491,128	Unrealistic in the light of budget constraints	Reduce by 50% and NASS to oversee actual expenditure
08	Magazines/periodicals	622,762	Normal	NASS to oversee actual expenditure
09	Printing of non-security documents	7,473,384	Over-bloated	Reduce by 70%
10	Printing of security documents	2,491,128	Over-bloated	Reduce by 30%
11	Drugs and medical supplies	1,245,564	Repetitive and similar to line 29 and NHIS under personnel costs	Remove completely
12	Uniforms and other clothing	211,746	Frivolous as uniforms were procured in 2013	Remove completely

¹Whether some of these staff are truly working and merit their pays is another consideration entirely.

²NANTS believes that the legislators have the constitutional right to appropriation and should therefore be laced with the responsibility of pruning down budgets with a view to reducing the burden of poverty on the citizens.

			and 2014	
13	Maintenance of motor vehicle / transport equipment	23,977,109	Over-bloated	Reduce by 70%
14	Maintenance of Office Furniture	4,359,474	Unnecessary as furniture was maintained in 2013 and 2014	R e m o v e completely
15	Maintenance of office buildings / residential quarters	3,736,692	Unnecessary as the structures were maintained in 2013	R e m o v e completely
16	Maintenance of Office / IT equipment	1,556,955	Unnecessary as office IT equipment were maintained in 2013 and 2014	R e m o v e completely
17	Maintenance of plants/generators	4,359,474	Over-bloated	Reduce by 70%
18	Other maintenance services	2,491,128	Frivolous	R e m o v e completely
19	Local training	13,767,033	Repetitive and distracts from capital budget implementation	Collapse all 01,02, and 19 into one line item of training and reduce the cumulative proposal by 50%
20	Security services	8,407,558	Frivolous	R e m o v e completely
21	Cleaning & fumigation services	3,425,301	Over-bloated	Reduce by 70%
22	Information Technology Consulting	4,359,474	Over bloated	Reduce by 85%
23	Legal services	2,802,519	Over bloated	Reduce by 50%
24	Motor vehicle fuel cost	13,701,206	Repetitive as already covered under item 13	But if intention is different from 13, Reduce by 70%
25	Plant/generator fuel cost	4,982,256	Repetitive as already covered under item 17	But if intention is different from 17, Reduce by 70%
26	Refreshment and meals	2,802,519	Frivolous	R e m o v e completely
27	Honorarium & sitting Allowance	2,802,519	Unrealistic in the light of budget constraints	Reduce by 50% and NASS to oversee actual expenditure
28	Publicity & advertisement	2,833,658	Unrealistic in the light of budget constraints	Reduce by 50% and NASS to oversee actual expenditure
29	Medical expenses	4,670,866	Repetitive and similar to 11 and NHIS under personnel costs	R e m o v e completely
30	Postage and courier services	1,245,564	Over-bloated	Reduce by 70%
31	Welfare packages	27,402,411	Frivolous	R e m o v e completely

32	Subscription of professional bodies	311,391	Unnecessary as this was done in 2014	R e m o v e completely
33	Sporting activities	2,491,128	Frivolous	R e m o v e completely
CAPITAL PROJECT LINE ITEMS				
S/NO	Item	Proposed budget	Consideration	Critical questions
01	Purchase of library books & equipment	3,840,000	Conduit pipe for corruption and should be removed completely	Does the F M A R & D purchase books for their library every year? What types of books are these and what is their relevance to the work of the MDA. What 'yearly' equipment is intended here?
02	Construction/provision of water facilities	94,335,360	Over-bloated, ritualistic and questionable	Which water facilities? What about the 2013 and 2014 provisions?
03	Construction/provision of agricultural facilities	4,905,131, 608	Normal but should be closely monitored by NASS and CSOs	
04	Construction and provision of roads	224,400,000	Over-bloated, ritualistic, and questionable	Which roads are these? Has the MDA become an arm or agency of the Federal Ministry of Works that undertakes road construction?
05	Rehabilitation/repairs of office buildings	57,600,000 11,520,000	Over-bloated, yearly repeat, and questionable	N100 million was expended in 2013, same in 2014 and in 2015, N57.6M is proposed on repair of the same office buildings. These bring the issue of efficiency to fore. Why spend that much on repairs when it can indeed build a new and magnificent edifice for the MDA?
06	Erosion and flood control	102,048,000	Normal	should be closely monitored by NASS and CSOs
07	Research & Development	85,065,000	Normal	should be closely monitored by NASS and CSOs

08	Monitoring & Evaluation	4,800,000	Normal	should be closely monitored by NASS and CSOs
09	Anniversary/Celebration		Frivolous and uncalled for at this time of fiscal turbulence	What anniversary and what is being celebrated?

Besides the items listed in the tables, some other capital projects were listed such as seeds, seedlings, etc. In this edition, we shall not look at all the items as those in the table above suffice to make the overall point of this budget advocacy-efficient allocation and management of budgetary funds.

4.0. FEDERAL AND STATES ALLOCATION VERSUS THE MAPUTO DECLARATION BENCHMARKS



Maputo Declaration: Investing in the future, making the difference today

Comparing the federal allocation to agriculture development and food security to the regional benchmark of 10%, the present proposed budget is a far cry from meeting the target. Using the capital project cost of the sector budget as a proportion of total budgetary allocation to capital project which stands at 1.79%, it is easy to see that Nigeria is yet to align its money and mouth in the same direction. Not only does the percentage allocation not meet the Maputo benchmark, it certainly does not hold any promise of transforming the sector as the main driver of the economy. Now that oil is gradually failing, our conclusion is that there is need to return to full agricultural development and there is no better opportunity to revive the sector and make it the

mainstay of the economy as it was before the commencement of oil exploration in the 70s than through the 2015 budget.

Some analysts have argued that if the various allocations by the 36 states, FCT and the 774 Local Government Areas (LGAs) are summed up, it would approach the Maputo benchmark. While that seems plausible, the fact is that the percentage capital allocations to agriculture as a proportion of the total capital budget by the 812 governments (774 Local governments +37 States +1 Federal Government) in Nigeria need to be looked at.

However, common sense dictates that for the cumulative allocation to agriculture to be 10% of the total Nigeria budget, individual units must have at least that level of allocation to the sector. Unfortunately, states' allocations to the sector are as dismal as that of the parent tier. For example, in 2014 Lagos State allocated only 0.58% of its capital budget to agriculture. In the same year, Niger State had only 2.53% of its total budget allocated to the agriculture sector. So all the allocation by all tiers cannot amount to 10% of the capital budget allocation to agriculture for the nation go by the current trends. Each tier must allocate at least 10% of its capital budget to agriculture for that to happen.

5.0. CAPITAL/RECURRENT BUDGET RATIO

In 2014, the ratio of capital to recurrent budget was 26.22% to 73.78% for the whole and that of the agriculture sector was 52.74% to 47.26%. Going by the 2015 proposals, the capital to recurrent ratios both for the whole and the sector, are bound to reduce because the capital budget usually bears the brunt of revenue falls. While the reasons for this are well appreciated, NANTS seeks to advise that a reasonable balance should be struck between paying staff and having capital projects for them to work on. We thus strongly advise that for the whole, the ratio should not be less than 10% for capital while the sector can work towards 40% capital budget ratio.

6.0. IMPERATIVES AND RECOMMENDATIONS FOR 2015 AGRICULTURE BUDGET

Hereunder are listed some suggestions for the NASS to consider in reviewing the 2015 budget proposal.

6.1. REDUCTION OF OIL PRICE BENCHMARK

This year's revenue expectations should be based on a more realistic oil price benchmark for which between \$45 and \$50 per barrel is proposed for consideration of the Parliament. This benchmark seems reasonable because the price of oil has been falling from \$114 to the present \$50 and may further go down. If the oil revenue expectation based on the proposed figure becomes eventually surpassed, the rest may be domiciled in the Excess Crude Account (ECA).

6.2. COMBATING THE OIL THEFT WITH SERIOUSNESS

The time has come for the federal government and indeed all tiers of government and relevant agencies especially the security associated ones such as Nigerian Navy to reduce the theft of crude oil from the pipelines. The country currently loses about 400,000 barrels of crude oil daily and this translates to N18million daily at \$45 per barrel. In these times, every Naira counts and the nation cannot continue to lose that to oil thieves, whoever they may be.

6.3. EFFICIENT ALLOCATION AND REDUCTION OF NASS BUDGET



In line with the proposal of the budget office of the federation that efficient allocation and management be one of its strategic approach in managing the 2015 budget, the NASS has to reduce some lump sum allocation to some institutions such as the NASS that has been allocated the usual sum of N150billion. Indeed, we recommend that NASS should show the example by reducing its allocation by 50% in consideration of the proportion of fall in oil revenue.

6.4. REALISTIC BUDGETING FOR MDAS IS NEEDFUL

The usually ritualistic, over-bloated, ambiguous, spurious, illegal, repetitive items in the overhead and sometimes in the capital expenditure budget of almost all the MDAs needs to be pruned down to reason as has been suggested above. As a matter of necessity, the principle of cost saving and efficient pricing has to be adopted across all MDAS and the suggested approach should be to budget and expend only on necessary items and as realistically as possible.

6.5. DIVERSIFY THE ECONOMY

Although a lot of efforts has been made towards economy diversification, but given the impending failure of the international oil market, Nigeria needs to harness to the fullest its agricultural potentials. Though this may require more tenacity, diligence and re-prioritisation, this is the way the country needs to go. The Chinese example where it closed its economy to international influence for some-time to get its acts right should inspire Nigeria.

6.6. RE-ROUTING SAVINGS FROM OTHER MDAS TO AGRICULTURE

In the light of the immediately preceding point, Nigeria needs to re-route savings made from blocked fund leakages in its system and funds usually lost to un-patriotic budgetary items in the overheads and capital budgets of MDAs as described earlier to agricultural development.

7.0. CONCLUSION

Since the international price of oil has fallen by about 60%, there is need to reduce national budgets and planned expenditure by amounts that reflect what is necessary for the country's survival. It calls for more prudent management of resources and strategic emphasis on agricultural development in economy diversification. We can only hope that the NASS will compel the Budget Office of the Federation to implement the strategies that it has proposed as a way of wading through this unique period in Nigeria's economic history.



Agriculture is sustainable alternative to Oil for growth and development

RECENT AGRICULTURE NEWS

We'll vote politicians with sound food policies – Farmers

February 3, 2015 BUSINESS & FINANCE



Nigerian farmers on Tuesday declared that they will only cast their votes for politicians with workable policies that will ensure food security and enhance agricultural production across the country when elected to official positions. The farmers, who spoke

under the aegis of the Association of Small Scale Agro Producers in Nigeria, whose parent body is the Voices for Food Security, stated that politicians should during their campaigns discuss how to improve the country's agricultural sector, a development that would positively impact on the lives of farmers.

For more information, visit <http://thebusinessdispatch.com/well-vote-politicians-with-sound-food-policies-farmers/>

Jonathan launches youth entrepreneurship online portal



February 11, 2015 BUSINESS & FINANCE
President Goodluck Jonathan on Tuesday launched the Youth Entrepreneurship Strategy (YES).

He equally launched an online portal to serve as a common platform for all of federal government's diverse youth training entrepreneurship interventions.

The portal – Nigeria Youth Entrepreneurship Network (NYENET.COM)? – is government's collaboration with the Founder of Empower Nigeria, Nicholas Okoye. The launch was held at the Banquet Hall, Presidential Villa.

Visit <http://thebusinessdispatch.com/jonathan-launches-youth-entrepreneurship-online-portal/> for more information

FG plans to ban fertiliser importation



February 12, 2015 BUSINESS & FINANCE

A policy statement that would stop the importation of fertiliser into the country would be announced by the Federal Government within the next few weeks, the Minister of National Planning, Dr. Abubakar Sulaiman, has said. Sulaiman disclosed this when he visited the Super Phosphate Fertiliser and Chemicals Ltd, in continuation of his monitoring tour of privatised companies under the

Bureau of Privatised Enterprises.

For more information, visit :<http://thebusinessdispatch.com/fg-plans-to-ban-fertiliser-importation/>

Sugar, bread top real sector's N24.8trn output in three years



January 23, 2015 BUSINESS & FINANCE

Sugar and bread topped the products' output value of the nation's total formal manufacturing sector in the three year period ended 2012.

The gross output value of the sector totalled N24.8trn from 2010-2012.

The latest Manufacturing Sector Summary Report by the National Bureau of Statistics, NBS, published yesterday indicated that during the review period, Food Beverages and Tobacco activity dominated the productivity of the formal manufacturing sector, accounting for about N16.6trn or 66.92 per cent of the total output.

<http://thebusinessdispatch.com/sugar-bread-top-real-sectors-n24-8trn-output-in-3-years/>

FG offers N122m grants to young farmers



January 23, 2015 BUSINESS & FINANCE

Federal Government on Thursday offered N122 million grants to 27 young farmers under its Youth Employment in Agriculture Programme (YEAP).

Minister of Agriculture and Rural Development, Dr. Akinwumi Adesina, who presented the

cheques to the beneficiaries drawn from the six geo-political zones in the country, said the present administration is raising young commercial farmers that would take over from the old generation.

<http://thebusinessdispatch.com/fg-offers-n122m-grants-to-young-farmers/>

Sadiku takes charge as acting CEO BOA



February 11, 2015 BUSINESS & FINANCE

Mr. Babatunde Sadiku has assumed office as the Acting Managing Director of the Bank of Agriculture (BOA).

He takes over from Dr. Mohammed K. Santuraki, the former MD, whose tenure in office expired on September 26, 2014. A statement explained that Sadiku was, until his appointment, the Executive Director, Finance &

Risk Management, representing the Central Bank of Nigeria on the Board of BOA. He holds a Masters Degree, Banking & Finance, obtained in 1993, from the University of Lagos.

For more information, visit: <http://thebusinessdispatch.com/sadiku-takes-charge-as-acting-ceo-boa/>

Tumbling oil prices: Agric now life-line, says Jonathan



January 24, 2015 BUSINESS & FINANCE
Describing himself as the farmers' President, Goodluck Jonathan on Friday said in the face of declining crude oil prices, agriculture was now the life-line for the country. Jonathan said since agriculture was paying off so well in America, he saw no reason why Nigerian farmers should not be millionaires and even billionaires, saying the goal of his administration was to make Nigerian farmers that wealthy. To this end, he said 750,000 young commercial farmers were being created, <http://thebusinessdispatch.com/tumbling-oil-prices-agric-now-life-line-says-jonathan/>

Jonathan Approves Release Of N26bn For 2015 Dry Season Farming



...Approves Regular financial support for Argungu festival
President Goodluck Jonathan has approved the release of N26 billion towards the 2015 Dry Season Farming Programme to further boost their efforts to produce more food for the nation, adding that, the nation must create new wealth from the richness of her soils, the vastness of her rivers and the abundance of her cheap labour
<http://www.frontiersnews.com/NG/?p=23986>

NGO urges government to invest oil revenue into agriculture



**Africa
Centre for
Energy Policy**

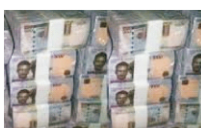
Takoradi, Feb 23, GNA - Africa Center for Energy Policy (ACEP), a non-governmental organization with interest in energy issues, has stressed the need for the government to

invest considerable amount of oil revenues into agriculture to boost the national economy.

Dr. Mohammed Amin Adam, Executive Director of ACEP, said the agriculture sector had not received adequate financial support compared to other sectors, adding that the government over the years had spent heavily on importation of agricultural products.

For more information, visit: <http://agriculture.einnews.com/article/251373489/4gMn4SOTss9lcaKH>

CIBN tasks MFBs on CBN's fund



February 12, 2015 BUSINESS & FINANCE
The President of the Chartered Institute of Bankers of Nigeria (CIBN), Otunba Debola Osibogun has described microfinance banks as elixir for stabilizing the economy, especially if they implement financial inclusion strategy and

make efforts towards accessing the intervention fund provided by the Central Bank of Nigeria, (CBN).

For more on this, visit: <http://thebusinessdispatch.com/cibn-tasks-mfbs-on-cbns-fund/>

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