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2013 PROPOSED NIGERIA TRADE & INVESTMENT BUDGET

Appraisal Against

THE TRANSFORMATION AGENDA

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1.0. INTRODUCTION

The Transformation Agenda is the blueprint for economic and social transformation developed by the administration of President Goodluck E. Jonathan (GEJ) to provide direction for the administration for the period 2011-2015. The Agenda documents a set of priority policies, programmes and projects for government focus, draws inspiration from NV20:2020 and recognizes the importance of diverse sectors of the economy including trade and investment with major components being wholesale and retail trades especially in non-oil sector to the achievement of its targets. Within the sector key policies, programmes and projects (KPPPs) were accordingly designed to realize the targets.

The KPPPs contained in the Agenda were based on the need to address among other challenges divergence between annual capital budgets and medium term plans and the Agenda in providing a concrete commitment for addressing the mentioned challenge states that 'the annual capital budgetary provisions should be derived from the KPPPs in the blueprint with effect from 2011' (page 19 of the Transformation Agenda). Mr President in introducing the Transformation Agenda did state that budgets for 2012-2015 will be tied to the Agenda and since trade and investment occupies an important element in the transformation equation, budget allocation to the sector is expected to reflect the expected role, needs and challenges of the sector.

But given that 2013 budget is the third within the period of the Transformation Agenda, it is necessary to appraise the degree to which the budget allocation, implementation and management of the Federal Ministry of Trade and Investment (FM&TI) and the sector as a whole is in line with the Agenda targets. Where it can be established that such budget issues of the sector are in good state enough to achieve the targets, the appraisal will applaud such but where there are gaps, it shall recommend ways and strategies for closing them and helping the sector make its fair contribution to achieving the Transformation Agenda targets.

The purpose of this appraisal is to:

i. overview the budget of the Federal Ministry of Trade and Investment and the sector as a whole
ii. highlight the specific strategic relation of trade and investment to the Agenda;
iii. review the capacity of the 2013 proposed trade and investment budget to contribute meaningfully to achieving the agenda targets
iv. identify challenges that may face the 2013 proposed trade and investment budget and make recommendations for mitigating them.

2.0. OVERVIEW OF THE PROPOSED 2013 MINISTRY OF TRADE AND INVESTMENT BUDGET

The total budget proposed for the Trade and Investment Ministry and its associated Departments, Agencies and organisations is sixteen billion, two hundred and nine million, two hundred and ninety-one thousand, one hundred and forty-seven Naira (16,209,291,147) out of a total federal budget of 4,924,604,000,000 constituting 0.3%.

It is essential to include the entire organisations associated with the Ministry because all the organisations contribute to the achievement of the role expected of the Trade and Investment sector to the Transformation Agenda. Out of the sum, only N3, 221,567,007 amounting to 19.8% is for capital expenditure while the remaining balance of N12,987,724,140 (81.2%) is for recurrent expenditure.

The proposed capital and recurrent budget is further broken for the trade and investment sector MDAs as follows:

S/N	Description	Recurrent budget	Capital budget	Total budget
1.	Main Ministry	3,398,824,750	1,621,019,461	5,019,844,211
2.	Standard Organisation of Nigeria	2,290,146,658	81,352,302	2,371,498,960

3.	Center for Automotive Design and Development	117,388,418	1,296,602	118,685,020
4.	National Automotive Council, Abuja	143,146,912	0	143,146,912
5.	Industrial Training Fund	2,061,664,486	35930220	2,097.594,706
6.	Nigerian Export Promotion Council	586,787,280	30,072,838	616,860,118
7.	Financial Reporting Council of Nigeria	95,516,547	150,000,000	110,516,547
8.	Nigeria Export Processing Zones Authority	817,817,791	68,457,513	886,275, 304
9.	Consumer Protection Council	620,504,416	38,380,929	658,885,345
10.	Trade Fair Complex, Lagos	119,911,464	11,091,556	131,003,020
11.	Federal Produce Inspection	51,725,649	0	51,725,649
12.	Onne Oil and Gas Free Zones Authority	437,438,864	34,816,390	472,255,254
13.	Tafawa Balewa Square Management Board	86,155,807	38,666,053	124,821,860
14.	Abuja Securities and Commodity Exchange	215,913,161	62,318,651	278,231,812
15.	Small and Medium Development Enterprise Agency of Nigeria	701,639,226	959,953,000	1,661,592,226
16.	External Trade Sector Geneva	263,395,000	7,644,485	271,039,485
17.	External Trade Sector Shanghai	60,941,750	5,000,000	65,941,750
18.	External Trade Sector Taiwan	57,335,590	5,000,000	62,335,590
19	Nigerian Investment Promotion Commission	861,470,369	205,567,007	1,067,037,376
	TOTAL	**12,987,724,140**	**3,221,567,007**	**16,209,291,147**

Table 1: 2013 proposed capital and recurrent budget for FMT&I

3.0. STRENGHTS OF THE 2013 TRADE AND INVESTMENT SECTOR BUDGET

To begin with, trade and investment being a service sector has a recurrent budget that is greater than the capital budget. Though ordinarily that is the pattern of budgeting in Nigeria and the ratio is increasing over time in favour of capital budget but in the case of this sector and given the role in the Transformation Agenda, this situation is welcome.

Secondly, the budget proposals for 2013 are dynamic in terms of changes in line items proposed and amounts proposed for retained 2012 line items. For example, the 2013 proposal does not have a capital vote for 'purchase of office furniture and fittings' which the predecessor budget had; and a common line item 'construction of provision of agricultural facilities' has N15,038,515 for 2012 and N25,899,112 for 2013. This dynamism signifies that the budgets are reflective of the sectoral developments and not just mere ritualistic figures.

Thirdly, the capital budget for the sector (N3,221,567,007) and specifically that of the FMT&I (N1,621,019,461) seems more than adequate for meeting and surpassing the Transformation Agenda targets which required only N16, 020.00million in 2013 for executing KPPP by the Trade and Investment Ministry. However implementation of the capital budget is more critical for achieving the targets than size and adequacy of votes and therefore the present appraisal will consider issues of implementation in section I.

4.0. WEAKNESSES OF THE 2013 TRADE AND INVESTMENT SECTOR BUDGET

The key weakness noticeable in the 2013 budget for the FMT&I is in the recurrent aspect where some questionable items and over-bloated size of allocation to reasonable ones are proposed. This weakness has become an unhealthy habit not only of FMT&I but of the entire Public sector institutions and MDAs in Nigeria. Details of such items and sizes are discussed fully in section 8.0.

5.0. THE SIGNIFCIANCE OF TRADE AND INVESTMEN IN THE TRANSFORMATION AGENDA

According to the Transformation Agenda, Trade and Investment qualify as an enabler of economic growth and sustainable development having contributed about 27% of GDP both in real and nominal terms during the period 1999-2010[1]. The projected growth rate of GDP contribution for the sector during the lifespan of the Transformation Agenda (2011-2015) is 9.5%[2]. Enablers are by definition those activities or aspects of the economy that enhance private investment and also strengthen the public sector to deliver quality social services that engender growth. Enablers include laws, regulations, policies, and international trade agreements that facilitate the activities of economic agents, making it possible for them to be competitive, function optimally and operate profitably. In particular, trade and investment laws ensure that businesses can invest and operate without the fear of losing out on opportunities to grow because of bureaucracy, poor market access or any other impediments. And government recognises that enablers have received less than adequate attention in the past but within the Transformation Agenda paradigm, promises to give them the rightful place as a provider of conducive environment for business.

Trade and investment from the foregoing is therefore responsible for private sector powered non-oil sector growth to build the foundation for economic diversification as clearly foreseen and hoped for in the Transformation Agenda. The appropriate development of Trade and Investment sector programmes are expected to:

i. Reduce time and cost of registering a business,
ii. Encourage both local and foreign investors by improving ports and customs management,
iii. Eliminate immigration bottlenecks by improving access to visas and work permits.

A critical reflection on these expected results shows that if indeed the private sector is to be the driver of the transformation expected in the economy between 2011 and 2015, policies aimed at accomplishing them as articulated in the Agenda must be effectively implemented. It is important to

[1] (National Bureau of Statistics
[2] (National Planning Commission).

note that while those policies and objectives are laudable, their achievement will however depend largely amongst other factors on how much commitment the nation demonstrates towards them in terms of resource allocation, implementation and management.

Key policies and programmes envisaged for the trade and investment sector development include deregulation of the energy, transportation (road and rail) and other sectors; economic integration at the national, sub regional, regional and global Financial Institutions; human capital development of skills in bilateral and multilateral negotiations including international languages and ICT. Such policies are predicated on the successful deregulation of the telecommunications and aviation sector lately and while these policies may be looked forward to with enthusiasm, there exist challenges such as budget implementation within the trade and investment sector which may hinder the realization of the laudable policy objectives of the Agenda.

6.0. FUNDING REQUIREMENT FOR THE TRANSFORMATION AGENDA

The Transformation Agenda is generally to be funded from three main sources: On Budget (regular budgetary allocation; enhanced statutory allocation; and viability gap funding); Off Budget (special intervention funds; FGN bonds- through the DMO; Low interest concessional loans; credit enhancements; grants); and Private sector (pension fund; Public-Private Partnerships; long term commercial bonds; Export credit finance; oil for infrastructure scheme; private equity; infrastructure bonds). A review of the funding requirements for the Transformation Agenda reveals that overall public sector investment (On budget) is N24.46 Trillion over the period of 2011-2015.

For the purposes of executing KPPP in the Transformation Agenda relevant to trade and investment, the then Ministry of Commerce and Industry submitted proposals for 14 projects costing N87, 765.46million and only 10 were approved for N64, 080.00million. It is to be borne in mind that this sum is for KPPP of the main Ministry over the period 2012-2015. What this entails is that for the year 2013, the total sum of N16, 020.00million is meant for executing KPPP by the Trade and Investment Ministry.

But a cursory look at the detailed 2013 capital budget proposal for Trade and Investment (main Ministry itself) reveals that it has a capital budget of N1,621,019,461 much of which are related to policies and programmes that contribute directly to the achievement of the lofty expectations from trade and investment in the Transformation Agenda. Demonstratively, the capital budget of the Ministry is broken down further as follows:

S/N	Description	Amount in Naira
1	construction/provision of office buildings	1,000,000,000
2.	construction/provision of agricultural facilities	25,899,112
3	construction /provision of roads	10,131,345
4	computer software acquisition	22,382,470
5.	construction/provision of infrastructure	184,000,000
6.	rehabilitation and repair of office buildings	25,899,112
7.	research and development	325,661,323
8.	monitoring and evaluation	27,046,099
	Total	**N1,621,019,461**

Table 2: proposed capital budget breakdown

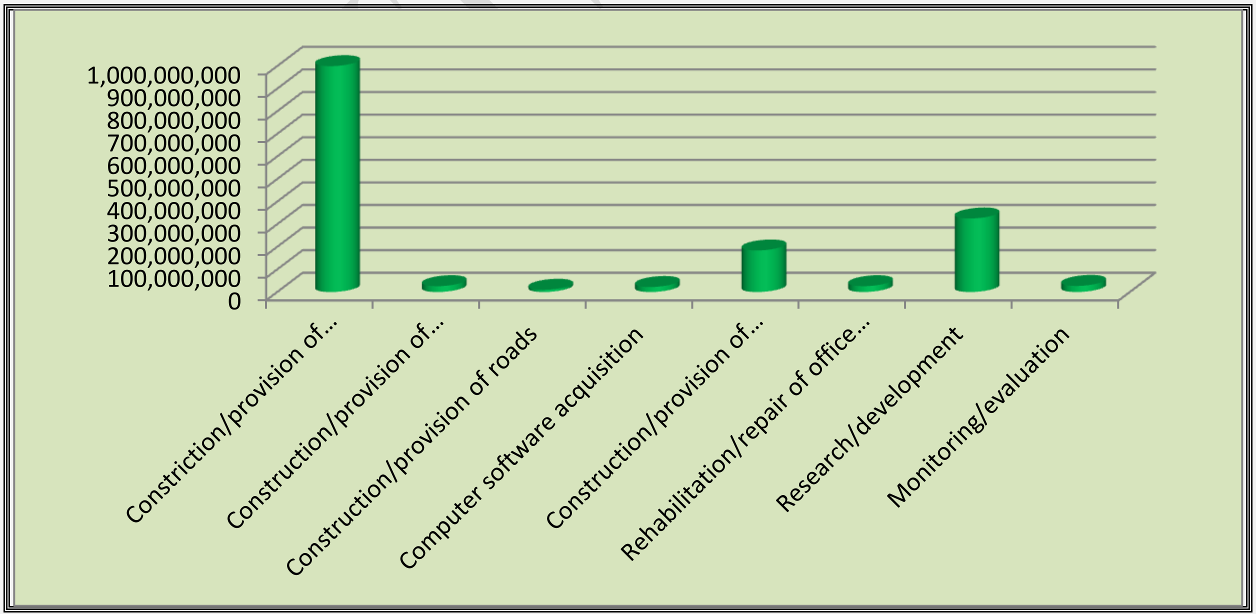

Chart 1: representing FMT&I 2013 proposed capital budget

With exception of items like research and development; and monitoring and evaluation which may be general to every aspect of the Ministry's work, the items above can be argued to have direct linkage to the KPPP related to the objectives of the Transformation Agenda. What can therefore be deduced is that of the N16, 020.00million demanded by the Transformation Agenda for executing related projects and programmes within the main Ministry in 2013, the capital budget proposed for the Ministry has clear line items which could be invested directly or indirectly for providing facilities that could be useful for realising Transformation Agenda targets.

7.0. SUFFICIENCY ANALYSIS OF THE MINISTRY OF TRADE & INVESTMENT PROPOSED CAPITAL BUDGET TO MEET TRANSFORMATION AGENDA EXPECTATIONS

The argument is whether or not the budget of N1,621,019,461 is sufficient for the Ministry to accomplish the expected roles for its chunk in the Transformation Agenda. Based on the earlier analysis, the obvious answer is in the affirmative because the budget not only accommodates supportive services such as research development and monitoring & evaluation but also makes direct allocation for other necessities such as trade infrastructure development and equipment procurement and rehabilitation.

Detailed analyses of the capital budget show that listed budget line items include construction of office building for FMT&I; construction of Enugu International Trade Fair Complex; Establishment of Border market in 6 geo-political zones; establishment of regional trade and investment offices in Brazil, UK, USA, China, UAE, India, South Africa, Berlin and Australia; and research on investment promotion and Protection Agreement. These will aid the realization of Transformation Agenda targets set for the sector including: reviewing and streamlining the trade policies and practices in a way and manner that could reduce the occurrence of negative trade outcomes such as dumping of substandard goods in Nigeria; and reforming the Ports to be more effective and efficient reducing the goods clearance period from 2-3 weeks to 48hours maximum, amongst others.

8.0. REVIEW OF THE RECURRENT (OVERHEAD) BUDGET OF THE FMT&I

S/No	Item	Proposed Amount(N)
01	Local Travel & Transport: Training	48,039,908
02	Local Travel & Transport: Others	87,946,918
03	International Travel and Transport: training	40,048,908
04	International Travel and Transport: others	123,409,082
05	Electricity Charges	30,000,892
06	Telephone Charges	8,006,943
07	Water rates	5,355,816
08	Sewerage services	5,357,948
09	Office stationeries/computer consumables	48,804,006
10	Books	8,790,008
11	Newspapers	2,000,000
12	Magazines and Periodicals	2,000,000
13	Printing of Non security Documents	5,435,758
14	Printing of security Documents	2,238,285
15	Maintenance of Motor Vehicle/Transport Equipment	15,116,191
16	Maintenance of Office furniture	5,382,462
17	Maintenance of office building/Residential quarters	10,658,340
18	Maintenance of office and IT Equipment	11,724,174
19	Maintenance of Plants/Generators	7,300,963
20	Local training	35,172, 522
21	International Training	12,257,091
22	Security services	37,304,190
23	Office rent	10,658,340
24	Residential rent	2,231,463
25	Security Vote (including operations)	2,291,543
26	Financial Consulting	1,705,334

27	Information Technology Consulting	2,238,251
28	Legal Services	28,182,556
29	Motor Vehicle fuel cost	6,949,659
30	Plant/Generator fuel Cost	30,749310
31	Bank Charges other than Interest	2,238,251
32	Refreshment & meals	4,263,336
33	Honorarium and sitting allowance	2,131,668
34	Publicity and advertisements	15, 987,510
35	Medical expenses	3,197,502
36	Postage and Courier Services	6,078,952
37	Welfare packages	85,093,251
38	Grant to State Governments-Current	35,291,700
39	Grant to Local Governments-Current	8658340
	Total	**800, 297,371**

Table 3: *Proposed FMT&I overhead budget*

There are few further observations on the overhead budget lines. One, line items on Travels and Trainings (serial numbers: 01, 02, 03, 04, 20, 21) raise two issues of size and duplication. In terms of size, the total sum for these travels and trainings amount to N346,874,429 which is 43.34% of the overhead budget. If officials of the Ministry have to use this amount to undertake travels and trainings, it means that it will conduct or attend about 70 trainings at an average of N5million for each. Given that there are only 365 and about 265 working days in the year, it means that the FMT&I will either be attending or conduction a training every 3-4 days. The is simply impractical and if it must be, it connotes that such may engage them for the whole fiscal year 2013 and involving senseless and irrelevant trainings. In fact, they may have no other time dedicated to any other operational work/office duty. It may also affect capital budget implementation which requires time to plan and execute in terms of the Ministry not having enough time for both 70 trainings and capital budget implementation.

For the second issue of duplication, serial numbers 20 and 21 refer to local and international trainings but how they are different from the earlier trainings proposed in serial numbers 01-04 is shrouded in ambiguity. If anything different is intended, the budget should have clearly differentiated the budget lines. While it is argued that the budgets for these items are over-bloated, their necessity is however recognized and the middle position is for the amounts allocated to those trainings and travel to be possibly reduced by 50%, while the number of such travels and trainings could also be reduced to reasonable levels. This will save funds from the activities and also save time for FMT&I to execute capital projects which contribute more to development and achievement of the Transformation Agenda.

Two, line items on security services and security votes under serial numbers 22 and 25 of Table 3 above abuse our security budgeting. The overall budget accommodates allocations to Police who statutorily provides security and there is no reason for FMT&I or any other MDA for that matter to engage extra-statutory security at the expense of the nation's lean budget resources. These two budget 'mis-proposals' amount to N39,595,733 which even if they are necessary are not only over-bloated but confusing and may be deemed unlawful.

The impact of such budgets must be weighed against the much needed social services delivery which the country currently in dire need of. For example, the amount of N39,595,733 may under prudent fund management build and equip 3 primary schools which can grant physical access of about 1500 children of school age to basic education. But with such security votes (which is gradually taking a seat among MDAs and their Chief Executives) and many others like them across the entire public sector, it is clear that meeting the targets of the Transformation Agenda or the MDG targets becomes almost illusive? The logical and reasonable thing to do is to expunge the wrong proposals.

Three, line items on refreshment and meals as well as welfare packages found under serial numbers 32 and 37 respectively in the table above provokes another issue for consideration. Much as some level of consideration may be allowed for the line items, our opinion however is that the amount (N89,356,587) is on the high side and may require considerable trimming herein recommended above on security votes.

One essential point here is that such items that are hitherto alien to the nation's laws (pertaining to fiscal policies) are gradually finding their ways into the books and it is unfortunate that the Ministry of Finance that collates these proposals from MDAs appear to be allowing such lines and gradually institutionalizing them. We are bold to say this because the NASS passed such items in previous years.

Table 4 below summarizes the issues of questionable estimates in the FM&TI overhead discussed above:

Line Item	Amount proposed (N)	Analysis/justification	Recommended Sum (N)
LOCAL TRAVEL & TRANSPORT: TRAINING	48,039,908	These items are over-bloated and somewhat duplicated and they sap the time that the Ministry could apply for capital budget implementation. It is recommended that they be reduced by 50% in terms of cost and number.	24,019,954
LOCAL TRAVEL & TRANSPORT: OTHERS	87,946,918		43,973,459
INTERNATIONAL TRAVEL & TRANSPORT: TRAINING	40,048,908		20,024,454
INTERNATIONAL TRAVEL & TRANSPORT: OTHERS	123,409,082		61,704,541
SECURITY services and VOTE (INCLUDING OPERATIONS)	39,595,733	Why these votes? They lack legal basis and should therefore be strongly debated/considered by NASS for deletion or appropriate pruning	0
WELFARE PACKAGES		This line item also lacks legal basis, and already provided for in personal expenditures. Remove totally	0

Beyond these, one would have expected that issues such as trade policy should have found a place in the 2013 budget. Trade Policy was one of the very first outputs the FMT&I promised to give Nigerians about two years ago. We are aware the document had been produced for long by the Committee set up by the Hon Minister, but till date not much has been heard about this very essential document except rumours that fund for the publishing was probably not available. Nigerians would have expected that an appropriate trade policy for the navigation of trade in the country is key to appear in the budget.

9.0. POTENTIAL CHALLENGES FACING 2013 CAPITAL BUDGET IMPLEMENTATION

There could be a barrage of challenges that need to be overcome if the 2013 capital budget of the FMT&I is to be used as a tool for achieving the targets of the transformation agenda. Some of them include:

9.1. Timely release of funds:

This becomes a critical issue because recent experiences show that when funds are appropriated by the Budget Act, the funds are kept with the Central Bank of Nigeria and released to the MDAs with approval of relevant authorities (Ministry of Finance). Sometimes funds are not released and cash-backed in a manner that allows the MDAs to utilize the funds as they ought. For example, the capital budget allocation to FMT&I for 2012 is N2,976,071,606 with an expected capital budget released by end of 2nd quarter of N1,488, 035,803. Out of this only N428,052,118 representing 28.77% were actually released by the end of the 2nd quarter. Given this scenario, this is need for all agencies and institutions that have a role in making timely releases of capital funds to be committed and ensure that they play their roles effectively.

9.2. *Procurement Process Delays:*

Procurement process delays could affect the implementation of capital budgets since the award of the associated project contracts are by the Procurement Act 2007 supposed to undergo due process which usually consists of many stages. It is observed that observance of due process has saved a lot of otherwise lost funds through over-invoicing and therefore cannot be recommended for scrapping. MDAs should be creative and find ways of managing the procurement process and still implementing their capital projects timely. One such way may be to conduct the procurement processes and contract awards for many projects simultaneously or with short time in between instead of waiting for project A to be finished before awarding project B.

9.3. *Implementation Capacity*

Implementation capacity of the MDAs is an issue that may affect 2013 capital budgets and hinder their full potentials for realizing Transformation Agenda Targets. While many factors including the mentioned ones above could affect this capacity, the challenge which the FMT&I and indeed other MDAs need to rise to is how to overcome every aspect of capacity lack. The MDAs should utilize their training budgets to train their officials on the technical know-how for implementing the capital budgets which is very imperative if the Transformation Agenda is to be achieved. The Agenda foresees an expenditure of N24.46trillion over 2011-2015 and if MDAs do not invest and expend this amount in capital projects, achieving the desired 11.8% GDP growth rate by 2015 may be elusive.

10.0. CONCLUSIONS

The ability of the 2013 sectoral allocation to Trade and Investment to facilitate the achievement of the targets set for the sector in the Transformation Agenda has been appraised. While the entire sector is equally important for achieving the targets, it would be unwieldy to appraise the individual budget of all the MDAs within the sector with the consequence that the budget of the main ministry only was reviewed in detail. However, the issues raised and discussed for the FMT&I apply to the associating departments and agencies.

The appraisal reveals that the capital budget of the sector and that of the main ministry in particular is more than enough to realise the targets for the Transformation Agenda because the funding requirement of the Agenda is less than the capital budget. However the challenge to watch is that of implementing the capital budget as unspent capital votes cannot transform the economy. Going through the recurrent budget, spurious, over-bloated, frivolous and illegal items such as excessive international and local travels and trainings, security votes, refreshment, meals and welfare packages were discovered. The implication of these abusive line items-denying citizens access to critical social services- was identified with a warning that if the country will achieve the targets of the TA and the MDGs, such budgetary frivolities which ministry of finance and NASS have allowed passing over the years must stop.

Given the critical nature of implementation, the potential challenges facing the FMT&I and by extension other departments and agencies in the public sector in 2013 were highlighted to include timely release of capital budgets, procurement process delays and of course technical capacity to implement budgets. MDAs are to strive to ensure at least 99% implementation of the capital budget if the targets of the Transformation Agenda are to be achieved.

10.1. Key Recommendations

- Trim down the recurrent budget by removing and scaling down the budget for some line items that are illegal, over-bloated, and spurious. The monies saved should be channelled to the capital budget of social sectors such as education, health, water resources and agriculture.

- The FMT&I and other public sector MDAs should lay emphasis on capital budget implementation as only implemented capital budgets that lead to economic growth. Since, implementation is tied to other issues such as timely release of appropriated funds, all institutions involved in the process should approach the challenge with commitment.

- The FMT&I and others with similar proposals for travels and trainings should scale down on the number planned both to save funds and time which would give the MDAs more time to implement capital projects within the budget.