Execution of the Capital Budget 2009

This Fact Sheet analyses published data on Kaduna State Government’s execution of the capital budget in 2009. The main key findings are:

- Projects relying on N39.3 billion of specific project loans were only 8.5% executed, in some cases because availability of loans was overestimated and in others because of practical project problems.
- N35 billion of budgeted general loans caused a major shortfall in KDSG funds for all projects.
- Highest capital expenditure was on administration, water supply, transport, health and education. The latter two have been on a rising trend for some years, while transport (roads) has been falling.

The figures behind this graph and the rest of this Fact Sheet are available in electronic format from the SPARC office. These data contain summaries of the execution of all projects in the budget with budget value greater than N100 million.

This Fact Sheet analyses the reasons for the poor ratios of actual to budgeted expenditure by stripping out some of the estimates that were in the budget which are most likely to be unrealised. In order to do this, each sector’s projects have been analysed by funding source.

In Fact Sheet 02 (on payments), the following graph was presented showing actual capital expenditure compared with budget for 2009. Total actual capital expenditure was only N27 billion compared with a budget of N119 billion.

Figure 1: Budget vs. actual capital expenditure by sector, 2009 (N billion)

Reasons for poor actual expenditure compared with the budget

Unrecorded external grants

External grants in kind from donor organisations (like DFID, USAID, UNDP, etc.) are not recorded in the final accounts because no information is available from the donors. Estimates for some of these are, however, recorded in the budget.

They should be excluded from the budget versus actual performance statement unless information on the values of the actual executions can be obtained.

However, this is not a material source of discrepancy in 2009, amounting to just N350 million of the budget funds.

Expired loans

The agriculture sector put estimates totalling N210 million into its budget for loans which had already expired. Although, again, not a material amount, this shows the danger of not reconciling the budget with the debt schedules.

Estimates that recur in the budget each year, but which never materialise

Some receipt items appear in the budget each year, but no cash is ever received. These include:

- The National Programme for Food Security, N340 million – this is in the agriculture budget for 2009 and 2010, but has been discontinued.
Poverty alleviation loan, N1 billion. This has appeared for several years, but does not produce a drawdown.

Speculative project loans that have not been negotiated
The 2009 budget contained a total of N39.3 billion in project loans, of which only N3.3 billion (8.5%) was drawn down. Much of the budget was for project loans which had not yet been negotiated. The biggest discrepancies were in the power, urban development and housing sectors where N26.4 billion of project loans did not materialise.

Other non-performing donor loans
In addition to the speculative loans in the budget, nearly every sector had estimates for donor loans that were significantly higher than the actual draw downs. In many cases the counterpart funds were spent but the loans were not drawn. The reasons for this needs to be investigated – there may be simple practical problems causing this non-performance.

Figure 2: Loan drawdowns by sector, 2009 (N billion)

Non-performing Federal grants
Performance on Federal grants was worse than for loans. Of the N8.7 billion of Federal grants in the budget, only N330 million was drawn (3.8%). For example, the education sector failed to draw any money from grants for Universal Basic Education or for the Education Trust Fund (totaling N4 billion in the budget). Again, the reason for non-performance needs to be ascertained.

Adding together the figures implied by the causes above, shows that of the N48.4 billion estimated loans and grants for projects, only N3.7 billion (7.6%) was actually available – a shortfall of N44.7 billion – directly affecting the execution of the specific projects that were the basis of the loans and grants.

Non-existent general loans and shortfall in recurrent revenue
But what of those projects which were to be financed by general state funds from revenues? Here a further problem arises. The 2009 budget contained a figure of N 35 billion for ‘other incomes/other loans’. This allowed an additional N 35 billion more projects into the budget. The N35 billion worth of loans was never received, and there was a further shortfall of about N12 billion in recurrent revenue and VAT. The total effect of this was a shortfall of N47 billion, meaning that for the N70 billion worth of projects supposed to be financed by State funds and the State-Local Government joint account, only N23 billion (33%) was available.

The joint State-Local Government account
Only N3.7 billion of the N23 billion was directed to the joint account, where there were N22.4 billion worth of budgeted projects, so on average these projects got only 16.5% of their budgeted requirements. Within this average, though, there were big winners and losers. Environment got 100% of its allocation and health 51%, whereas agriculture, power and water received nothing. The relative performance by sector is shown in Figure 3.

Projects financed entirely by general state funds
Finally, N19.4 billion of the N23 billion was available to finance the N48 billion of budgeted projects that rely entirely on State funding. So, on average, these projects got 40.5% of their budgeted requirements. Again there were differences between the sectors as shown in Figures 4 and 5.
At a time when the average execution rate for state funded projects was 40.5%, youth and sports received 90% (KADA games and Under 17 Football championship). Transport and power both received 50% or above. Though water supply did quite well in total, it received a below average 34% of its budget. Health and education each received the average allocation of 40%, but agriculture received less than 20% of the state funds in its budget, in addition to the large shortfalls on its project loans and grants. Also, note how health is significantly lower in the rankings for an allocation from state funds (Figure 4) than for total allocations (Figure 1), showing how dependent it is on its specific project finance.

Figure 4: Projects financed by state general funds by sector, 2009 (N billion)
