PUBLIC FINANCIAL ASSESSMENT OF HIV SPENDING: NASARAWA STATE

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The Health Finance and Governance Project
USAID's Health Finance and Governance (HFG) project helps to improve health in developing countries by expanding people's access to health care. Led by Abt Associates, the project team works with partner countries to increase their domestic resources for health, manage those precious resources more effectively, and make wise purchasing decisions. The five-year, $209 million global project is intended to increase the use of both primary and priority health services, including HIV/AIDS, tuberculosis, malaria, and reproductive health services. Designed to fundamentally strengthen health systems, HFG supports countries as they navigate the economic transitions needed to achieve universal health care.

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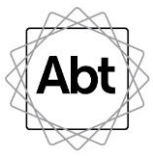

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DRAFT REPORT ON PFM ASSESSMENT OF HIV SPENDING: NASARAWA STATE

DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development (USAID) or the United States Government.

CONTENTS

List of Tables

ACRONYMS

BCC	Budget Call Circular
CRFC	Consolidated Revenue Fund Charges
ExCo	Executive Council (of Nasarawa State Government)
FCT	Federal Capital Territory
HFG	Health Finance and Governance
HIV/AIDS	Human Immune-Deficiency Virus/Acquired Immune Deficiency Syndrome
MDAs	Ministries, Departments and Agencies
MoH	Ministry of Health
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
MTSS	Medium Term Sector Strategy
NACA	National Agency for the Control of AIDS
NASACA	Nasarawa State Action Committee on AIDS
NASCAP	National HIV/AIDS and Sexually Transmitted Infections Control Programme
PFM	Public Financial Management
SASCP	State HIV/AIDS and Sexually Transmitted Infections Control Programme
SDP	State Development Plan
SHoA	State House of Assembly

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EXECUTIVE SUMMARY

The budget process in Nigerian states cuts across planning, allocation, providing cash backing for budget execution, and expenditure. This process often lacks budget realism and there are highly centralised processes, which cause delays in the provision of cash backing for budgeted funds. Adequate budget appropriation does not always translate to commensurate releases and expenditures. Also, providing cash backing for HIV/AIDS activities does not always translate to efficient or effective expenditure for HIV/AIDS interventions, as spending is not focused on service delivery interventions.

This assessment seeks to provide an understanding of the existing public financial management (PFM) process and capacity in Nasarawa State, with a view to identify the bottlenecks that constitute obstacles in improved and sustained allocation and provision of cash backing for health and HIV/AIDS interventions.

Bottlenecks identified in the planning and budgeting process of the state are the following:

- Highly centralised decisions on budget allocations;
- Lack of a cohesive plan and agreed priorities;
- Poor engagements with relevant stakeholders (influencers) to align priorities;
- Absence of evidence-based advocacy in budget review meetings; and
- Absence of advocacy regarding budget scrutiny and approval.

The main bottlenecks identified in funding the budget execution of HIV/AIDS initiatives are as indicated below:

- Differences in the priorities of top government functionaries and line managers in Ministries, Departments, and Agencies (MDAs);
- Perception of HIV/AIDS funding by top government functionaries;
- Lack of budget realism;
- Paucity of funds in the State Treasury;
- Challenges in the preparation of the memorandum requesting for cash backing for budget execution;
- Lethargy and delays in preparing and forwarding memoranda requesting for cash backing; and
- Recurrent expenditure nature of HIV/AIDS interventions.

The following are recommendations for addressing the identified bottlenecks in the planning, budgeting and budget execution processes:

- **Advocating for HIV/AIDS interventions and funding needs:** Stakeholders should embark on advocacy at the highest level of government to create awareness on the mandate of the Nasarawa State Action Committee on AIDS (NASACA) and the State HIV/AIDS and Sexually Transmitted Infections Control Programme (SASCP) and their strategic initiatives for service delivery. Awareness should be created with top government functionaries on the fact that funding for HIV/AIDS intervention by international donors are reducing significantly.

- **Preparing Medium Term Sector Strategies (MTSS):** The planning and budget formulation process should be based on the preparation of MTSS to derive annual budget plans of MDAs in the sectors, with multi-year expenditure plans. The budget call circulars issued to MDAs for the preparation of budget estimates should contain expenditure ceilings based on the state macro-fiscal framework, approved prior to circulation by the ExCo and endorsed by the State House of Assembly (SHoA).
- **Realistically budgeting for revenue and expenditure:** The Medium Term Expenditure Framework (MTEF) should be introduced in the planning and budgeting process in the state. Revenue forecasts in MTEF and expenditure estimates should be made more realistic. Only estimates of revenue that will be achieved should be included in the budget and applied on realistic expenditure estimates. This process would ensure that the budget is realistic, fundable and implementable.
- **Preparing and implementing quarterly work plans**: In order to significantly enhance the level of budget implementation, the Budgeting Department should ensure that MDAs use the annual budget to produce quarterly work plans, after the approval of the budget. The work plans submitted to the Budget Department would be forwarded to the Ministry of Finance and Accountant General to plan quarterly release of funds for budget implementation by MDAs, especially key service delivery MDAs.
- **First line charge for strategic budget initiatives**: Strategic projects and programmes of MDAs, especially within the health sector, should be identified, and first line charge provided for them in the disbursement of funds by the Accountant General.
- **Profiling the budget and ensuring cash management:** The Office of the Accountant General should be supported to undertake the profiling of annual revenue and expenditure forecasts into monthly totals, and preparing an annual cash plan based on the monthly revenue and expenditure profiles.
- **Processing payment requests by MDAs on a timely basis:** NASACA and SASCP should effectively plan their budget implementation to enable them to process requests for cash backing early in the fiscal year. This would reduce delays in the processing of requests for cash backing.
- **Building the capacity for HIV/AIDS MDAs to prepare memorandum requesting cash payments:** There is need to provide capacity building to officials of NASACA and SASCP on the preparation of the memorandum requesting cash backing for budget execution. Such capacity building would improve the skills of the officials to identify relevant issues to address in the memorandum and provide adequate justification for requesting cash backing from the Treasury.

  Changing the legal framework setting up NASACA: At both the national and state levels, there is need to change the legal framework which established the National Agency for the Control of AIDS (NACA) and NASACA. The change should put the agencies in the health sector and make them to report to the Ministry of Health at both the federal and state levels.

1. INTRODUCTION

1.1 Background

The Health Finance and Governance (HFG) project has been working with several states in Nigeria to improve health financing and governance. One particular focus is encouraging domestic resource mobilisation for HIV/AIDS interventions. The budget process of states covers planning, allocation, cash payments from the treasury for budget execution, and expenditure. This process is often complicated and political with a lack of budget realism and highly centralised processes, causing delays in the provision of cash backing for budgeted funds. Adequate budget appropriation does not always translate to commensurate provision of cash by the treasury from HFG's experience in some states. Similarly, providing cash backing for HIV/AIDS activities does not always translate to efficient or effective expenditure for HIV/AIDS interventions, as expenditure is focused on overhead and staff costs as opposed to service delivery interventions.

A strong public financial management (PFM) system should enhance the allocation of sufficient funds for the health sector, and HIV/AIDS interventions in particular, to meet sector objectives and accomplish strategic plans given the macro-fiscal realities of the state. Consequently, this assessment seeks to understand the capacity and process in Nasarawa State with a view to identify PFM barriers that create obstacles in ensuring sustainability, efficiency and accountability in optimal allocation, provision of cash for budget execution by the treasury, and execution of health and HIV/AIDS interventions.

1.2 Rationale and Objectives

The assessment will provide an understanding of the existing PFM process and capacity within Nasarawa State, with a view to identify the bottlenecks that create obstacles in improved and sustained allocation and provision of cash backing for health and HIV/AIDS interventions. Additionally, appropriate recommendations for future interventions will be made based on the PFM findings.

1.3 Approach and Methodology

The approach and methodology adopted to undertake the assessment involved the following activities and tasks:

- Desk review of documents, including HFG's Guided Self-Assessment of Public Financial Management Performance (PFMP-SA) Toolkit; HFG's Data for Efficiency – A Tool for Assessing Health Systems' Resources Use Efficiency; Nasarawa State Budgets, 2014-2018; Nasarawa State Reports of Auditor General and Accountant General, 2014-2016, etc.
- Interviews with key officials of Nasarawa State Government, including the Permanent Secretary, Ministry of Finance and Economic Planning; Director, Economic Planning, Ministry of Finance and Economic Planning; Director, Monitoring and Evaluation, Ministry of Finance and Economic Planning; Director of Finance and Accounts, Ministry of Health; Programme Manager, Nasarawa State Action Committee on AIDS (NASACA); Director of Accounts, NASACA; Programme Manager, State HIV/AIDS and Sexually Transmitted Infections Control Programme (SASCP), Ministry of Health, etc.

- Compilation of financial data on Nasarawa State budgets and actual performance, including the budget performance of the health sector as well as Ministry, Departments and Agencies in the sector and NASACA.
- Analysis of quantitative data and qualitative information on the state planning, budgeting and budget execution processes.
- Identification of bottlenecks in optimal resource allocation and cash payments by the treasury for budget execution.
- Drafting the report of the assessment.

2. REVIEW OF PLANNING, BUDGETING AND BUDGET EXECUTION PROCESSES IN THE STATE

2.1 Brief Profile of State

Nasarawa was formed on October 1, 1996 from the old Plateau State. It is in the middle belt and north central geo-political zone of Nigeria. Nasarawa State is bounded in the north by Kaduna State, in the west by the Federal Capital Territory (FCT), in the south by Kogi and Benue States, and in the east by the Taraba and Plateau States. It has a landmass of approximately 27,117 square kilometers. The population of the state in the 2006 National Population Census was 1,869,337.

Agriculture is the mainstay of the economy of the state, with the production of varieties of cash crops occurring throughout the year. The state also has a variety of minerals like salt, barite, and bauxite, which are mostly mined by artisanal miners. There is also the salt village in the Keana Local Government Area of the state where naturally iodized salt is produced from the lake located near it. The town is also one of the cradles of Alago civilization, one of the major ethnic groups in the state.

2.2 Planning and Budgeting Process

Currently, there is no State Development Plan (SDP) in Nasarawa State. The Department of Economic Planning in the Ministry of Finance and Economic Planning carries out long-term planning for the state, but at the moment, no plan approved by Government exists. Accordingly, there is no high level policy document with agreed priorities of the major sectors, their contributions and linkages to the overall development of the state.

The health sector has the State Health Strategic Operational Plan and the State HIV/AIDS Strategic Operational Plan for HIV/AIDS interventions. However, these high level policy documents do not necessarily determine health sector and HIV/AIDS initiatives included in the budget.

Quarterly budget progress reports are used to guide revenue forecasts of annual budgets. But the planning and budgeting process in the state is not based on a rigorous estimation of a realistic Medium Term Expenditure Framework (MTEF), with multi-year revenue forecasts. The Budget Department in the Ministry of Finance and Economic Planning issues a budget call circular (BCC) to Ministries, Departments and Agencies (MDAs) for the commencement of budget preparation. The budget call circulars issued to MDAs do not contain expenditure ceilings based on the state macro-fiscal framework, approved prior to circulation by the State Executive Council (ExCO) and endorsed by the State House of Assembly (SHoA). Medium Term Sector Strategy (MTSS) with multi-year expenditure estimates are not prepared to derive annual budget plans of MDAs in the sectors.

On receipt of the budget call circular, various departments in MDAs meet to generate projects and programmes for the budget and prepare budget proposals. The budget proposals by MDAs are submitted to the Budget Department. A Budget Preparation Committee chaired by the Commissioner for Finance and Economic Planning reviews the proposals and advises MDAs on the priorities of Government after which MDAs make adjustments in their proposals and re-submit them. The Budget Department consolidates the proposals into the state budget estimates, and MDAs attend bilateral

discussion sessions to justify their projects and programmes before the Budget Committee. Expenditure ceilings of MDAs approved by the Governor in Council are presented by the Budget Committee at the bilateral discussions.

After the bilateral discussions, the Budget Department makes adjustments to the consolidated estimates to fit into the revenue forecast. The adjusted consolidated estimates are then submitted to the Governor, who reviews the proposed budget, makes inputs and submits it for deliberation by the ExCo. The ExCo reviews the budget estimates and makes further adjustments. After its own input and adjustments to the budget estimates, ExCo sends the budget estimates to the SHoA for legislative scrutiny and approval. MDAs are no longer consulted after the budget estimates are forwarded to the Governor, and have no further input into the various adjustments in allocations during the final stages of the budget process by the Governor and ExCo.

While scrutinising the budget estimates for approval, the SHoA works through its various committees which correspond with the major sectors in the state. However, the SHoA is not guided by a development plan, realistic forecast of a Medium Term Fiscal Framework (MTFF), medium term allocation to sectors and expenditure ceiling, and medium term priorities of sectors. This major resource allocation process is characterised by significant political influence.

The annual budgets are usually approved by the SHoA and signed into law by the Governor in the first three months of the fiscal year. Delays in the approval of the budget may not be a major impediment to the effective execution of the approved budget expenditure in the state.

The following is a summary of the tasks and activities carried in the planning and budgeting process in the state:

1. Budget revenue forecasts are prepared and guided by quarterly budget progress reports.
2. The Budget Department, Ministry of Finance and Economic Planning, issues Budget Call Circulars.
3. Department of MDAs meets to generate projects and programmes as well as to prepare budget proposals and estimates.
4. MDAs submit budget proposals, and the Budget Preparation Committee reviews the proposals and provides advice on priorities to MDAs. MDAs adjust and re-submit budget estimates to the Budget Department.
5. The Budget Department collates and consolidates budget estimates.
6. MDAs meet with the Budget Committee in Bilateral Discussions Sessions to defend their initiatives and estimates.
7. The consolidated budget estimates are finalised with the outcomes of the bilateral discussions, and allocations are adjusted by the Budget Department to fit the revenue forecasts. The proposed budget is submitted to the Governor.
8. The proposed budget is reviewed and given input by the Governor, and submitted to the ExCo.
9. The proposed budget estimates are reviewed and given input by the State ExCo, and the proposed budget and Appropriation Bill are submitted to the SHoA.
10. The SHoA reviews the proposed budget, and approves estimates and the passage of the Appropriation Bill.

2.3 Budget Execution Process

Cash backing is provided for budget execution in the state through the central processing and payments of monthly personnel costs vouchers, as well as the issuance of General Warrants to authorise expenditure by the Accountant General after the budget has been approved and signed into law. Before the approval of the budget, provisional warrants are issued to authorise expenditure.

The management of an MDA that wishes to implement an approved budget expenditure would meet to take a decision on the budget item, prepare a memorandum requesting for cash, and address it through the Commissioner responsible for the MDA to the Governor for approval. The Commissioner recommends and endorses the memorandum to the Governor for approval.

When the Governor approves the memorandum, it is sent to the originating Commissioner, who passes it to the Director, Finance and Accounts of the MDA to prepare a voucher for payment by the Treasury. The voucher and approved memorandum are sent to the Ministry of Finance and the Commissioner of Finance forwards it to the Accountant General, as head of the Treasury, for processing and payment. The Governor only approves requests for release of funds subject to availability of liquidity in the cash system.

The Accountant General directs all vouchers for payments and the approved memorandum by the Governor to the Expenditure Control Units, where they are scheduled for payments. On the availability of cash for payment, the Accountant General transfers cash to the bank account of the relevant Ministry. When the Commissioner of the MDA is advised on the receipt of cash from the Treasury, approval is given for the cash to be transferred to the bank account of the MDA that is the beneficiary, for its utilisation.

A memoranda requesting for cash payment for budget execution by NASACA is addressed to the Governor, through the Commissioner of Health, through the Permanent Secretary, Government House. The law setting up NASACA made it an agency in the Office of the Governor and it reports to the Governor through the Secretary to the State Government (SSG). On receipt of a memorandum from NASACA, the SSG directs it to the Permanent Secretary, Government House for further action.

When the memorandum is approved by the Governor, the Permanent Secretary, Government House informs NASACA. The approved memorandum is collected after the Dispatch Book is signed. A voucher is raised by the Director, Finance and Accounts of NASACA and the voucher accompanied by the approved memorandum is forwarded to the Ministry of Finance. The Commissioner of Finance then forwards the voucher and the memorandum requesting for cash to the Treasury for scheduling and payment.

Nasarawa State has not yet enacted a procurement law. Public procurement processes are handled by Ministerial Tenders Boards and at the State Tenders Board in the Office of the Governor. Depending on the value of a transaction, when the limits of the State Tenders Board is exceeded, the transaction is sent to the Governor or ExCo for approval. The procurement procedures would be concluded and attached to the memorandum requesting cash to execute expenditure.

Below is the summary of the tasks involved in the budget execution process in the state:

1. The management of MDAs decide on the approved budget expenditure to be executed.
2. The MDA prepares a memorandum requesting for cash payment addressed to the Governor through the Commissioner of the relevant MDA.
3. The Commissioner recommends and endorses the memorandum to the Governor supporting the request for cash payment.

4. When the Governor approves the memorandum, it is sent to the originating Commissioner.
5. On receipt of the approved memorandum, the Commissioner minutes it to the Director of Finance and Accounts of the Ministry.
6. The Director of Finance and Accounts raises a payment voucher for the request for cash attaching the approved memorandum by the Governor, and sends it to the Ministry of Finance.
7. The Commissioner for Finance forwards the voucher and the memorandum to the Accountant General in the Treasury.
8. The Accountant General directs the voucher and approved memorandum to the Expenditure Control Unit, where they are scheduled for payments depending on the cash position of the state. The Governor only approves memorandum for cash request when advised about the availability of cash.
9. On the receipt of cash from the Accountant General, the Commissioner of the originating Ministry gives approval and the fund is transferred to the bank account of the MDA that is the beneficiary or the implementing agency for utilisation.
10. Contracting procedures for the execution of capital expenditure are undertaken by the Ministerial Tenders Board or State Tenders Board. Depending on the value of the transaction, the transaction forwarded to the Governor or ExCo for approval. The procurement procedures would be concluded and attached to the memorandum requesting for cash to execute expenditure.

3. BUDGET PERFORMANCE

3.1 Aggregate Expenditure Performance

Table 1 contains data on the aggregate budgeted and actual expenditure of Nasarawa State in the fiscal years 2014 to 2016. The data shows that in 2014, actual personnel cost when compared with budgeted personnel cost was 85.36%, while the performance of overhead cost and consolidated revenue fund charges in relation to the budget was 75.56%. Also, actual recurrent expenditure in relation to the budget was 78.51%, actual capital expenditure when compared with budgeted capital expenditure was 37.11%, and the out turn of actual total expenditure when compared with budgeted total expenditure was 62.52%.

In 2015, the performance of actual personnel cost in relation with the budget was 67.46% and actual overhead cost when compared with the budget was 49.20%. The out turn of actual recurrent expenditure when compared with budgeted recurrent expenditure was 54.05% and actual capital expenditure in relation with the budget was 44.71%. Actual total expenditure in relation with budgeted total expenditure was 51.70%.

In 2016, actual personnel cost when compared with the budget was 72.87% and the performance of actual overhead cost in relation with the budget was 83.44%. The out turn of actual recurrent expenditure when compared with the budget was 80.27%, while actual capital expenditure in relation with the budget was 82.54%. The out turn of actual total expenditure when compared with total budgeted expenditure was 80.88%.

The data show that the performance of actual recurrent expenditure was better than actual capital expenditure. The budget out turn of actual recurrent expenditure was higher than actual capital expenditure. In the years reviewed, the budget out turn of actual capital expenditure was 37.11% in 2014, 44.71% in 2015 and 82.54% in 2016. Also, actual total expenditure compared with the budget was 62.52% in 2014 to 51.70% in 2015 and 80.88% in 2016. The deviations of actual expenditure from budgeted expenditure over the years reviewed are significant and indicate lack of budget realism. The state budgets are not realistic and therefore not executed as planned.

Table 1: Nasarawa State Aggregate Expenditure Performance, 2014-2016

Year	Details	Budget N	Actual N	Performance %
2014	Personnel Cost	18,251,430,000	15,578,627,788	85.36
	Overhead Cost/CRFC	42,287,431,579	31,952,179,449	75.56
	Recurrent Expenditure	**60,538,861,579**	**47,530,807,237**	**78.51**
	Capital Expenditure	38,086,500,000	14,132,956,048	37.11
	Aggregate Expenditure	**98,625,361,579**	**61,663,763,285**	**62.52**
2015	Personnel Cost	18,429,440,000	12,431,674,917	67.46
	Overhead Cost/CRFC	50,843,264,042	25,012,543,320	49.20
	Recurrent Expenditure	**69,272,704,042**	**37,444,218,237**	**54.05**

Year	Details	Budget N	Actual N	Performance %
	Capital Expenditure	23,341,240,360	10,437,027,233	44.71
	Aggregate Expenditure	**92,613,944,402**	**47,881,245,470**	**51.70**
2016	Personnel Cost	14,778,920,000	10,768,777,994	72.87
	Overhead Cost/CRFC	34,572,294,460	28,846,344,745	83.44
	Recurrent Expenditure	**49,351,214,460**	**39,615,122,739**	**80.27**
	Capital Expenditure	17,959,838,809	14,824,832,056	82.54
	Aggregate Expenditure	**67,311,053,269**	**54,439,954,795**	**80.88**

3.2 Health Sector Budget Performance

Data on the budget performance of the health sector in the state over the period reviewed is presented in Table 2. It shows that the budget out turn of actual total expenditure was 42.62% in 2014, 59.35% in 2015 and 73.52% in 2016. The performance of actual recurrent expenditure in relation to the budget was 53.37% in 2014, 76.84% in 2015 and 79.79% in 2016. Also, the budget out turn of actual capital expenditure was 25.52% in 2014, 19.14% in 2015 and 73.52% in 2016.

The observed trend confirms that the performance of recurrent expenditure is higher than capital expenditure, due to the high out turn of actual personnel cost in relation to the budget. The actual capital expenditure of the sector when compared with budgeted expenditure has been relatively low. The observed situation also confirms the lack of budget realism in the budget of the state and the health sector. This created the challenge of providing cash backing to execute the budget as planned.

Table 2: Nasarawa State Health Sector Budget Performance, 2014-2016

Year	Details	Budget N	Actual N	Performance %
2014	Personnel Cost	4,951,022,775	3,819,443,328	77.14
	Overhead Cost	2,418,106,251	113,600,000	4.70
	Recurrent Expenditure	**7,369,129,026**	**3,933,043,328**	**53.37**
	Capital Expenditure	4,633,800,000	1,182,524,894	25.52
	Total Expenditure	**12,002,929,026**	**5,115,568,222**	**42.62**
2015	Personnel Cost	4,026,465,427	3,576,857,565	88.83
	Overhead Cost	1,259,130,000	484,750,000	38.50
	Recurrent Expenditure	**5,285,595,427**	**4,061,607,565**	**76.84**
	Capital Expenditure	2,300,000,000	440,198,420	19.14
	Total Expenditure	**7,585,595,427**	**4,501,805,985**	**59.35**
2016	Personnel Cost	3,652,954,794	3,730,445,587	102.12
	Overhead Cost	1,286,884,000	210,903,659	16.39
	Recurrent Expenditure	**4,939,838,794**	**3,941,349,246**	**79.79**
	Capital Expenditure	1,605,000,000	870,097,573	54.21
	Total Expenditure	**6,544,838,794**	**4,811,446,819**	**73.52**

3.3 Budget Performance of HIV/AIDS Interventions Initiatives

Initiatives for HIV/AIDS interventions in the state are implemented by NASACA and SASCP. NASACA is an extra-ministerial agency in the Office of the Governor and serves as the coordinating agency for all

HIV/AIDS interventions. SASCP is a programme in the Public Health Department of the Ministry of Health (MoH) and undertakes service delivery on HIV/AIDS response to citizens in health facilities.

Table 3 contains data on the details of MDAs in the health sector, including NASACA. The data shows that very little cash backing was provided to execute the budget of NASACA. The activities of NASACA have been funded mainly by international donors. The support from donors are not sufficient to effectively implement the requirements of HIV/AIDS interventions in the state.

SASCP has also depended largely on international donors for the funding of its activities. It receives support for its operation from the National AIDS and Sexually Transmitted Control Programme (NASCP) and NASACA. The budget lines for the activities of SASCP are included in the budget of the Public Health Department of the Ministry of Health.

Table 3: Nasarawa State - Details of Health Sector Budget Performance, 2014-2016

Year	Details	Budget N	Actual N	Performance %
Ministry of Health				
2014	Personnel Cost	509,687,313	651,038,217	127.73
	Overhead Cost	462,391,251	18,000,000	3.89
	Total Recurrent Expenditure	**972,078,564**	**669,038,217**	**68.83**
2015	Personnel Cost	375,426,270	346,845,190	92.39
	Overhead Cost	625,310,000	7,500,000	1.20
	Total Recurrent Expenditure	**1,000,736,270**	**354,345,190**	**35.41**
2016	Personnel Cost	387,615,841	325,577,230	83.99
	Overhead Cost	749,660,000	105,663,659	14.09
	Total Recurrent Expenditure	**1,137,275,841**	**431,240,889**	**37.92**
NASACA				
2014	Personnel Cost	10,457,109	0	0.00
	Overhead Cost	0	0	0.00
	Recurrent Expenditure	**10,457,109**	**0**	**0.00**
2015	Personnel Cost	10,457,109	0	0.00
	Overhead Cost	28,500,000	250,000	0.88
	Recurrent Expenditure	**38,957,109**	**250,000**	**0.64**
2016	Personnel Cost	0	55,000	0.00
	Overhead Cost	26,020,000	3,000,000	11.53
	Recurrent Expenditure	**26,020,000**	**3,055,000**	**11.74**
Hospital Management Board				
2014	Personnel Cost	2,331,818,044	1,698,851,442	72.86
	Overhead Cost	135,550,000	20,400,000	15.05
	Total Recurrent Expenditure	**2,467,368,044**	**1,719,251,442**	**69.68**
2015	Personnel Cost	1,837,864,615	1,596,964,811	86.89
	Overhead Cost	105,570,000	412,700,000	390.93
	Total Recurrent Expenditure	**1,943,434,615**	**2,009,664,811**	**103.41**
2016	Personnel Cost	1,537,059,287	1,719,407,479	111.86
	Overhead Cost	84,450,000	27,000,000	31.97
	Total Recurrent Expenditure	**1,621,509,287**	**1,746,407,479**	**107.70**
Hospitals & Health Institutions				
2014	Personnel Cost	2,064,971,371	1,468,553,855	71.12

Year	Details	Budget N	Actual N	Performance %
	Overhead Cost	181,850,000	68,600,000	37.72
	Total Recurrent Expenditure	**2,246,821,371**	**1,537,153,855**	**68.41**
2015	Personnel Cost	1,768,628,495	1,630,479,176	92.19
	Overhead Cost	192,390,000	58,300,000	30.30
	Total Recurrent Expenditure	**1,961,018,495**	**1,688,779,176**	**86.12**
2016	Personnel Cost	1,685,702,666	1,685,078,252	99.96
	Overhead Cost	225,943,000	63,240,000	27.99
	Total Recurrent Expenditure	**1,911,645,666**	**1,748,318,252**	**91.46**
Primary Healthcare Development Agency				
2014	Personnel Cost	34,088,938	999,814	2.93
	Overhead Cost	1,638,315,000	6,600,000	0.40
	Total Recurrent Expenditure	**1,672,403,938**	**7,599,814**	**0.45**
2015	Personnel Cost	34,088,938	2,568,388	7.53
	Overhead Cost	307,360,000	6,000,000	1.95
	Total Recurrent Expenditure	**341,448,938**	**8,568,388**	**2.51**
2016	Personnel Cost	42,577,000	327,626	0.77
	Overhead Cost	200,811,000	12,000,000	5.98
	Total Recurrent Expenditure	**243,388,000**	**12,327,626**	**5.07**
Health Sector Capital Expenditure				
2014	Total Capital Expenditure	4,633,800,000	1,182,524,894	25.52
2015	Total Capital Expenditure	2,300,000,000	440,198,420	19.14
2016	Total Capital Expenditure	1,605,000,000	870,097,573	54.21

4. IDENTIFIED BOTTLENECKS AND INEFFICIENCY IN SPENDING

4.1 Identified Bottlenecks in Optimal Resources Allocation to HIV/AIDS Initiatives

The following are the major bottlenecks identified in the planning and budgeting process which adversely impact optimal allocation of resources to HIV/AIDS interventions in the state:

1. **Highly centralised decisions on budget allocations:** The final decisions on budget allocations to MDAs in the state are highly centralised within top government functionaries. Adjustments are made in the allocations in budget proposals submitted for approval without the input of MDAs that planned the initiatives in the proposals.
2. **Non-availability of plan and agreed priorities:** There is no subsisting approved state Development Plan or agreed priorities of each of the major sectors showing the contributions and linkages of the various sectors to the overall development of the state. Therefore, there is no set of policy priorities for implementation generally agreed by all stakeholders in the budget formulation and execution process.

   Currently, budget provisions may not align with the priorities of top government functionaries. It appears the priority of top government functionaries in the state is on building physical projects which citizens can see. The existence of an approved Development Plan or agreed priorities would create a balance in budget execution by indicating the contribution of social sector projects and programmes, like HIV/AIDS interventions, to the development of the state and its sustenance through its human resources.
3. **Poor engagements with relevant stakeholders to align priorities:** The implementing agencies of health sector and HIV/AIDS interventions have not adequately undertaken engagements with stakeholders capable of influencing top government functionaries to align priorities.
4. **Absence of evidence-based advocacy in budget review meetings:** At the budget bilateral discussions, there is no evidence-based advocacy to ensure effective justification and defense of allocations to HIV/AIDS interventions. Such evidence-based advocacy would improve allocations to HIV/AIDS interventions.
5. **Absence of advocacy at budget scrutiny and approval:** After the budget is sent to the SHoA for scrutiny and approval, the implementing agencies do not carry out advocacy to

legislators in relevant committees that approve budget estimates to prioritise allocations to strategic health sector and HIV/AIDS interventions.

4.2 Identified Bottlenecks in Funding Budget Execution on HIV/AIDS Initiatives

Below are the main bottlenecks identified in funding budget execution of HIV/AIDS initiatives:

1. **Differences in the priorities of top government functionaries and line managers in MDAs:** Top government functionaries responsible for approving memoranda requesting cash backing for budget execution appear to set priorities for the use of government funds that are different from the priority of service delivery by MDAs in sectors. During budget execution, the priorities of top government functionaries who approve requests for cash backing do not align with the priorities of MDAs in approved budget provisions. This is reflected in the fact that memoranda requesting cash backing to execute sector priorities by line managers, such as HIV/AIDS interventions, are not approved.
2. **Perception of HIV/AIDS funding by top government functionaries:** There appears to be a perception by top government functionaries that the funding of HIV/AIDS interventions comes from international donors. Therefore, minimal cash backing is provided from the revenue of the State Government for the execution of the interventions. Top government functionaries are oblivious of the fact that donor funding of the interventions have been reducing in the course of time.
3. **Lack of budget realism:** The planning and budgeting process lacks budget realism. Low budget out turns leading to significant deviations between budgeted expenditure and actual expenditure in budget execution indicate that the state budgets are not realistic and cannot be implemented as planned. This arises from the fact that planning and budgeting are not based on a rigorous process for realistic forecasting of a medium term and multi-year fiscal framework. Budget limits of MDAs and sectors which are derived from the state macro-fiscal framework are not set and adhered to.
4. **Paucity of funds in the State Treasury:** One of the major issues which contributes to the refusal and delays in approving memoranda requesting for cash backing for budget execution is paucity of funds to effectively finance government activities. The downturn in the Nigerian economy in recent years has severely affected government revenues leading to low level of cash available in the treasury. Associated with this challenge is the lack of realistic forecasts of medium term fiscal framework for budget formulation and execution. The inability to provide cash backing for the execution of budgeted expenditure has created lack of severe lack of predictability and control by line managers in MDAs in budget execution.
5. **Challenges in the preparation of the memorandum requesting for cash backing for budget execution:** Some of the memoranda requesting cash backing addressed to the Governor have been turned down because of the quality of the presentations and lack of adequate justification of the requests.
6. **Lethargy and delays in preparing and forwarding memoranda requesting for cash backing:** Due to the fact that most memoranda for cash backing prepared and forwarded by MDAs have not been approved, there is lethargy to prepare and forward memoranda for approval by officials. In some cases, there have been delays by officials in MDAs to comply with procurement and contracting procedures, as well as prepare and forward memoranda

requesting for cash payment on time. These situations cause a large number of requests to be forwarded for the attention of approving and paying authorities at particular periods. Consequently, some of the requests may not be attended to.

7. **Recurrent expenditure nature of HIV/AIDS interventions:** Expenditure on most HIV/AIDS projects and programmes are usually classified as overhead cost, i.e. recurrent expenditure. Since these projects and programmes are not capital expenditure, they do not attract the attention of approving and paying authorities, as is the case with capital expenditure.

4.3 Areas of Inefficiency in Spending on HIV/AIDS Interventions

The bulk of HIV/AIDS interventions involve overhead cost. A significant proportion of the funds for HIV/AIDS interventions are utilised by MDAs to finance staff travelling costs to attend trainings, as well as the payment of training fees. Therefore, such funds are not devoted to addressing actual service delivery interventions to citizens.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

The planning and budgeting process in Nasarawa State is not based on a Medium Term Expenditure Framework (MTEF) involving realistic forecast of a Medium Term Fiscal Framework (MTFF) and the allocation of expenditure ceiling to sectors in a Medium Term Budget Framework. Additionally, Medium Term Sector Strategy (MTSS) is not prepared to derive multi-year forward expenditure budget plans of MDAs in the sectors.

The State Budget Preparation Committee makes adjustments to initiatives and allocations proposed by MDAs in the consolidated budget estimates of the state to fit the revenue forecast before submitting the budget proposal to ExCo. Also, the ExCo headed by the Governor reviews the proposed budget and makes further adjustments in the allocations based on government priorities. Usually MDAs are not consulted and have no input into the various adjustments in allocations during the finalisation the proposed budget.

The provision of cash backing for budget execution in the state is made through the central payment of personnel costs and the issuance of General Warrants to incur expenditure after the budget has been approved and signed into law. Payments of cash for all expenditure have to be approved and confirmed by the Governor before instructions for the transfer of funds to the bank accounts of MDAs are made by the Accountant General.

Bottlenecks identified in the planning and budgeting process of the state are the following:

- Highly centralised decisions on budget allocations;
- Non-availability of plan and agreed priorities;
- Poor engagements with relevant stakeholders (influencers) to align priorities;
- Absence of evidence-based advocacy in budget review meetings; and
- Absence of advocacy at budget scrutiny and approval.

The main bottlenecks identified in funding budget execution of HIV/AIDS initiatives are as indicated below:

- Differences in the priorities of top government functionaries and line managers in MDAs;
- Perception of HIV/AIDS funding by top government functionaries;
- Lack of budget realism;
- Paucity of funds in the State Treasury;
- Challenges in the preparation of the memorandum requesting for cash backing for budget execution;
- Lethargy and delays in preparing and forwarding memoranda requesting for cash backing; and
- Recurrent expenditure nature of HIV/AIDS interventions.

5.2 Recommendations for the Mitigations of Bottlenecks

The following are recommendations for addressing the identified bottlenecks in the planning, budgeting and budget execution processes:

- **Advocating for HIV/AIDS interventions and funding needs:** Stakeholders should embark on advocacy at the highest level of government to create awareness on the mandate of the NASACA and SASCP and their strategic initiatives for service delivery. Awareness should be created with top government functionaries on the fact that funding for HIV/AIDS intervention by international donors are reducing significantly. This would facilitate the provisions of more funds to meet requests for cash backing of HIV/AIDS interventions in the state.
- **Preparing Medium Term Sector Strategies:** The planning and budget formulation process should be based on the preparation of MTSS to derive annual budget plans of MDAs in the sectors, with multi-year expenditure plans. The budget call circulars issued to MDAs for the preparation of budget estimates should contain expenditure ceilings based on the state macro-fiscal framework, approved prior to circulation by the ExCo and endorsed by the SHoA.
- **Realistically budgeting for revenue and expenditure:** MTEF should be introduced in the planning and budgeting process in the state. Revenue forecasts in MTEF and expenditure estimates should be made more realistic. Only estimates of revenue that will be achieved should be included in the budget and applied on realistic expenditure estimates. This process would ensure that the budget is realistic, fundable and implementable. Therefore, the level of budget implementation would be raised significantly.
- **Preparing and implementing quarterly work plans**: In order to significantly enhance the level of budget implementation, the Budget Department should ensure that MDAs use the annual budget to produce quarterly work plans after the approval of the budget. The work plans submitted to the Budget Department should be forwarded to the Ministry of Finance and Accountant General to plan quarterly release of funds for budget implementation by MDAs, especially key service delivery MDAs.
- **First line charge for strategic budget initiatives**: Strategic projects and programmes of MDAs, especially within the health sector, should be identified, and first line charge provided for them in the disbursement of funds by the Accountant General. This arrangement would enable funds to be dedicated for strategic initiatives by providing first line charge from revenue.
- **Profiling the budget and ensuring cash management:** The Office of the Accountant General should be supported to undertake the profiling of annual revenue and expenditure forecasts into monthly totals and the preparation of an annual cash plan based on the monthly revenue and expenditure profiles. This would ease the process of using monthly revenue realised to meet the profiled monthly payment needs of MDAs.
- **Processing payment requests by MDAs on a timely basis:** NASACA and SASCP should effectively plan their budget implementation to enable them process requests for cash backing early in the fiscal year. This would reduce delays in the processing of requests for cash backing.
- **Building the capacity for HIV/AIDS MDAs to prepare memorandum requesting cash payments:** There is need to provide capacity building to officials of NASACA and SASCP on the preparation of the memorandum requesting for cash backing for budget execution. Such capacity building would improve the skills of the officials to identify relevant issues to address in the memorandum and provide adequate justification for requesting for cash backing from the treasury.

- **Changing the legal framework setting up NASACA:** At both the national and state levels, there is need to change the legal framework which established the National Agency for the Control of AIDS (NACA) and NASACA. The change should put the agencies in the health sector and make them to report to the Ministry of Health at both the federal and state levels.

5.3 Recommendations for Improvements of Areas of Inefficiency

It is recommended that MDAs involved in HIV/AIDS interventions should be sensitised to focus most of the funds received for budget execution of HIV/AIDS initiatives to service delivery interventions. This would improve the level of efficiency in the application of cash backing provided for the interventions.

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