

**USAID NIGERIA BUDGET PROCESS SUPPORT PROJECT
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DEVELOPMENT ALTERNATIVES INC.

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Acronyms

BMPIU - Budget Monitoring and Price Intelligence Unit
BOF - Budget office of the Federation
BPS - Budget Process Support Project
CBN - Central Bank of Nigeria
COP - Chief of Party
DG - Director General
FIRS - Federal Inland Revenue Service
FEC - Federal Executive Council
FOS - Federal Office of Statistics
GFRN - Government of the Federal Republic of Nigeria
IMF - International Monetary Fund
MOF - Ministry of Finance
MTEF - Medium Term Expenditure Framework
NEEDS - National Economic Empowerment and Development Strategy
NDI - National Democratic Institute
NPC - National Planning Commission
OAGF - Office of the Accountant General of the Federation

Activity Objectives

The Budget Process Support (BPS) Project assists the Government of the Federal Republic of Nigeria (GFRN) in two areas – budgeting and the Due Process for Federal procurement. The beneficiary agencies are the Budget Office of the Federation (BOF), within the Federal Ministry of Finance, and the Budget Monitoring and Price Intelligence Unit (BMPIU), which scrutinizes procurement.

The BOF is the principal agency responsible for the Federal budget. The BMPIU is mandated to ensure accountability and probity for the Due Process of Federal procurement and contracts. A long-term Senior Budget Advisor/Chief of Party (COP), a project economist, an economic consultant and short-term technical advisors are working to enhance capacity in developing, implementing and monitoring the budget process, and support the BMPIU's activities.

Executive Summary

- ❑ **To align priorities of the Federal Government of Nigeria's economic reform program**, the workplan was adjusted.
- ❑ **To strengthen capacity**, the Macroeconomic Working Group was assisted through weekly training, monthly meetings, out-of-town workshops and periodic seminars by visiting experts.¹ A notable achievement by the Group was a concept paper for the medium-term Fiscal Strategy. It was submitted to the BOF for the 2005 Budget. Staff members (120+) of the BOF began to receive training in macroeconomics and budgeting, starting November 2004.
- ❑ **To enhance transparency**, the Project, in cooperation with the IMF, conducted workshops on the new chart of accounts for the Budget Office of the Federation (BOF), the Office of the Accountant General of the Federation (OAGF), and line ministries. A user's guide was prepared as well. The 2005 Budget introduced the new chart of accounts, which follows international standards.
- ❑ **To advance openness in the budget process**, support was provided to the BOF for budget consultation with the private sector and civil societies. The latter was in collaboration with PROSPECT, USAID's Implementing Partner.
- ❑ **To support human resource restructuring and institutional strengthening**, the BOF and the BMPIU received assistance in this arena.
- ❑ **To improve the information technology system**, an IT advisor conducted a review of the current situation of the BOF and the BMPIU. The Project also assisted with financial resources for computer training sessions of the BOF staff, provided by Microsoft.
- ❑ **To support medium-term budgeting (Medium Term Expenditure Framework; MTEF)**, various guidance and assistance was provided (e.g., comments on the Call Circular).

¹ There are 15 members from the following agencies: the Budget office of the Federation (4); Accountant General of the Federation (1); National Planning Commission (3); Federal Office of Statistics (2); Central Bank of Nigeria (2); Ministry of Finance (1); and Federal Inland Revenue Service (2).

- ❑ **To enhance staff strength**, the Chief of Party/Senior Budget Advisor participated in the selection of tenders on accounting, and customer service, advertised through newspapers.²
- ❑ **To support the Due Process**, assistance included a communication strategy and its implementation, human resource restructuring and assessment of information technology.
- ❑ **To support and inform the legislative organ about budget reform**, seminars and briefings were presented to the members of the National Assembly. These were undertaken in cooperation with the National Democratic Institute (NDI), an Implementing Partner of USAID.
- ❑ **On project management**, a new Chief of Party (COP)/Senior Budget Advisor took office in late August, 2003. A project economist, an economic consultant and an administrative staff joined the project.
- ❑ **To advocate synergy and support collaboration**, the COP maintained close relations with donors, counterparts, stakeholders, civil society groups and USAID's Implementing Partners.

In summary, the assistance in the area of budgeting includes initiatives to improve public expenditure management, strengthen institutional structure, increase transparency, support the development of an information technology plan, enhance technical capacity, and introduce a multi-year budget process. These are aimed at supporting a sound macroeconomic framework – a principal objective of the National Economic Empowerment and Development Strategy (NEEDS).

As regards the Due Process, the support would reinforce the BMPIU's personnel structure, bolster public confidence, enlighten the public and stakeholders, and allow the website (underway) to be the gateway of a transparent procurement process.

Various outcomes demonstrate that these activities are contributing to an improved policy environment.

- The draft 2005 Budget was announced on October 12 2004 - ahead of other years.
- The MTEF would introduce medium-term budgeting, a chief goal in public expenditure management.
- The new chart of accounts would heighten transparency.
- The positive stories in the media about the communication strategy are beginning to dispel the misperception of the Due Process.

² The DG-Budget requested the BPS Project to deliver the course on macroeconomics and budgeting. This commenced in November 2004; it will be completed in February 2005.

Status vis-à-vis Tasks

This section reports on the capacity strengthening and institutional development of the BOF and the BMPIU.

Budget Office of the Federation

- ❑ **Improving the flow and quality of information to government decision-making:** Support, assistance and/or resources were provided for budget process consultation with the private sector, civil societies and public agencies (e.g., Ministry of Education).
- ❑ **Developing sector knowledge:** Assistance through workshops, training on macroeconomics and budgeting for the BOF staff (120+) would reinforce this area.
- ❑ **Developing active budget monitoring capabilities:** The BOF has introduced a new concept of Relationship Managers for monitoring expenditures and revenues from ministries and agencies. The initiative would support this need. In addition, the course on macroeconomics and budgeting would also strengthen capacity regarding this area. However, additional assistance would be valuable (e.g., fiscal reporting).
- ❑ **Developing capacity to provide advice on the formulation of macroeconomic and fiscal policy:** The Macroeconomic Working Group was assisted through weekly training, monthly meetings, out-of-town workshops and periodic seminars by visiting experts.³ A notable achievement by the Group was a concept paper for the medium-term Fiscal Strategy. It was submitted to the BOF for the 2005 Budget.
- ❑ **Vacating some areas (such as Tariff Review Board):** This area was realigned and not included in the revised workplan.
- ❑ **Rapid infusion of adequately trained staff:** The following initiatives would strengthen the capacity of the staff:
 - Course provided on macroeconomics and budgeting to the core staff (120+) of the BOF (started in November 2004, on-going)
 - Technical assistance on human resources
 - Financial support to the BOF for training provided by Microsoft
 - Session at the workshop and retreat of the BOF
- ❑ **Reassignment or detailing of appropriate staff from other Government of the Federal Republic of Nigeria (GFRN) agencies:** The DG-Budget is proceeding with human resources restructuring and civil service is also under way. These are complex undertakings worldwide. Support in human resources to the BOF has played a major role in this domain.
- ❑ **Establishment of BOF computer network that uses commercial software applications:** Microsoft is providing assistance to the BOF and other GFRN agencies.

³ There are 15 members from the following agencies: the Budget office of the Federation (4); Accountant General of the Federation (1); National Planning Commission (3); Federal Office of Statistics (2); Central Bank of Nigeria (2); Ministry of Finance (1); and Federal Inland Revenue Service (2).

The project intends to support this area through a local area network and other mechanisms (e.g., high-speed server).

- **Exposure of BOF staff to the ‘best’ budget management practices:** Assistance includes:
 - Comments and guidance on the Call Circular (see Annex II)
 - Workshops on chart of accounts
 - Comments regarding consolidation of recurrent and capital budget
 - User guide on chart of accounts (available upon request)
 - Training on macroeconomics and budgeting for the core staff of the BOF
 - Workshop on non-oil revenue modeling
 - Workshops on analytical techniques
 - Seminars on MTEF
- **Development of liaison and information-sharing process with key players in the budget process such as the National Planning Commission:** The support from the BPS Project and the forward-looking vision of the DG-Budget would advance this objective. In concrete terms, the Project has liaised with various agencies; for example, the Macroeconomic Working Group’s work with respect to the input to the medium-term Fiscal Strategy (2005) was an example of bringing issues and thoughts from various agencies.
- **Assisting the BOF to implement the recommendations in the Phillips Committee:** A core recommendation of the committee was on medium-term budgeting. The 2005 Budget introduced the MTEF.
- **Assistance in staff training:** The Macroeconomic Working Group was assisted through weekly training, monthly meetings, out-of-town workshops and periodic seminars by visiting experts. Arrangements were made for the group to attend a week-long course on macroeconomics and modeling at the National Centre for Economic Management and Administration in Ibadan in December, 2004. It would reinforce the on-going sessions provided through the Project and further analytical skills.

In November 2004, the Project office started training the core staff (about 125) of the BOF. A batch of some 20 staff would receive a five-day session. A reference text (over 160 pages) has been prepared.

The manuscript and the training session are intended to serve as a primer over a range of issues – concepts in macroeconomics to public expenditure management and budgeting. In the area of budget management, it illustrates certain principles and advocates mechanisms generally accepted in the public finance literature. As a sound economic framework is the foundation of the MTEF, an initiative announced in the 2005 Budget, emphasis is placed on expenditure management; medium-term budgeting; principles of fiscal discipline i.e. allocation of resources in accordance with strategic priorities (e.g., NEEDS); and efficient and effective use of resources for strategic priorities.

At the end of the training sessions, the staff members would have a higher knowledge of macroeconomic issues and should be able to manage the budget process more effectively.

This is an on-going activity; the training is expected to end in February, 2005.

- ❑ **Computerization – Provide the BOF with computer equipment and software:** Based on a request from the DG-Budget, the initial plan to acquire computer was realigned. Resources in this category would be used for a refurbished website i.e. include the development of a website and some support to a local area network/server.
- ❑ **Legislative strengthening⁴:** To support the National Assembly with budgetary issues and to reinforce NDI's efforts in this arena, a number of briefings were provided.
 - NDI invited the Chief of Party/Senior Budget Officer as a guest lecturer on medium-term budgeting in a retreat held in Kaduna for the members for the National Assembly.
 - At the request of the Chairman, House Committee on Appropriation of the House of Representatives, the Chief of Party/Senior Budget Officer presented papers on the MTEF.
 - A briefing on macroeconomics and budgeting was provided by Project staff and a visiting advisor on BPS mission.

Budget Monitoring and Price Intelligence Unit

- ❑ **Supporting the BMPIU with the budget quality, cost verification etc.:** The Senior Special Assistant to the President and Head of BMPIU requested resources and assistance to achieve the following:
 - enhance relationships with the public, media, private sector and government agencies;
 - promote public awareness of the Due Process; and
 - support an environment that would instill public confidence in an accountable and transparent process for Federal procurement.

To meet this goal, a communication strategy was designed. The budget for the communication strategy, prepared in June 2004, had been realigned in November 2004. The activities continued to generate considerable positive media coverage and improved the image of the Due Process.

Work is continuing with the development of a website development for the BMPIU. The website would serve as the gateway to a transparent procurement process.

- ❑ **Human Resource Restructuring:** As the BMPIU evolves, the agency is reviewing its personnel structure. It has hired consultants who are not within the civil service scheme. The BMPIU would like to “regularize” the employment arrangement of the consultants

⁴ Not in the original workplan/contract

to full-time positions within the civil service. A visiting advisor provided assistance, which focused on regularizing the current staff of consultants.

Project Changes

- ❑ Having served since late August 2003, the Chief of Party/Senior Budget Advisor will complete his assignment in early December, 2004. The project economist will assume the role of Acting Team Leader. His efforts will be augmented by a non-resident COP from DAI's office in the US.
- ❑ Further to realignment of the budget, resources would be made available to support the Better Business Initiative.

Impact on Intermediate Result

Government of Nigeria's economic policy formulation process improved

In summary, the assistance in budgeting includes initiatives to improve public expenditure management, strengthen institutional structure, increase transparency, support the development of an information technology plan, enhance technical capacity, and introduce a multi-year budget process. These are aimed at supporting a sound macroeconomic framework – a principal objective of the NEED Strategy.

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

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

- The draft 2005 Budget was announced on October 12, 2004 - ahead of other years.
- The MTEF would strengthen public expenditure management.
- The new chart of accounts would heighten transparency.
- Positive stories in the media about BMPIU's communication strategy are dispelling the misperception of the Due Process.

Problems and Opportunities/Upcoming Events

Problems and opportunities

The project faces various challenges as well as opportunities. A few are outlined below:

- ❑ The training in macroeconomics and budgeting for the BOF calls for considerable effort and intense activities of the Project.
- ❑ Liaison with other Implementing Partners (e.g., NDI) will support cross-cutting objectives, such as legislative strengthening.

- ❑ The BPS project is well positioned to make a positive difference in improving the budgetary process and support the Government in its economic reform initiatives.

Upcoming Events

The project will be finalizing various activities in the next quarter in the following areas:

- ❑ Continue to support the Macroeconomic Working Group, the BOF and other agencies.
- ❑ Engage an expert to review the past work on non-oil revenue modeling and a macroeconomic model.
- ❑ Select suppliers to complete the website development for the BOF and BMPIU.
- ❑ Finalize the assessment of the local area network for the BOF.
- ❑ Undertake:
 - workshop in the areas of capital budgeting
 - workshop for line ministries regarding MTEF
 - workshop on chart of accounts
 - study mission to gather lessons from the launch of MTEF in the region (e.g., Ghana)

Visiting advisors

Visiting advisors provided assistance in the following areas:

- ❑ Human resource (Mel Schnapper)
- ❑ Information technology (Guillermo Jacoby)
- ❑ Non-oil revenue model (Paul Beckerman)
- ❑ Medium-term budgeting (Levon Barkudaryan)
- ❑ Macroeconomic and budget training (Rick Ernst, Jonathan Dunn)

TraiNet

Information in this area has been submitted under a separate report to USAID.

Annex I

KEY ACCOMPLISHMENTS – OCTOBER 1, 2003 - SEPTEMBER 30, 2004

The Budget Process Support (BPS) Project assists the Government of the Federal Republic of Nigeria (GFRN) in two areas – budgeting and the Due Process for Federal procurement. The beneficiary agencies are the Budget Office of the Federation (BOF) and the Budget Monitoring and Price Intelligence Unit (BMPIU).

Budget Process: The assistance includes initiatives to improve public expenditure management, strengthen institutional structure, increase transparency, support an information technology plan, enhance technical capacity and introduce a multi-year budget process. These are aimed to support a sound macroeconomic framework – a key objective of the Federal Government of Nigeria’s National Economic Empowerment and Development Strategy (NEEDS). Highlights and outcomes follow.

- ❑ *Improve public expenditure management* – The 2005 Call Circular advocated fiscal discipline.
- ❑ *Strengthen institutional structure* – Technical assistance in human resource supported the restructuring of the BOF and introduced organizational development issues (e.g., performance measurement). This would reinforce the broad goals of civil service reform.
- ❑ *Increase transparency* – The traditional reporting of aggregated expenditures (recurrent and capital) obscured analysis about the destination of funds, hindered policy analysis, and prevented performance measurement. The current chart of accounts, introduced in the 2005 Budget, follows international standards. It would assuage the previous impediments and boost transparency.
- ❑ *Develop an information technology plan* – The assistance supported the BOF with an initial framework to develop a computerized and automated system.
- ❑ *Enhance technical capacity* – The Project formed the Macroeconomic Working Group comprising of staff from various Federal agencies⁵. Assistance included weekly training sessions, monthly meetings, out-of-town workshops and periodic seminars by visiting experts. A notable achievement was the outcome of a workshop, which developed an input to the medium-term 2005 Fiscal Strategy. It was submitted to the BOF to support the preparation of the 2005 Budget. In addition, the Project will train the core staff of the BOF (120+) in macroeconomics and budgeting.
- ❑ *Introduce a multi-year budget process* – The 2005 Budget introduced the Medium Term Expenditure Framework (MTEF), which would strengthen fiscal discipline.

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

- ❑ *Human resource* – The purpose of the assistance was to provide guidance on regularizing the consulting staff within the civil service structure. This would assist in organizational development.
- ❑ *Communication strategy* – The strategy enlightened the public, informed the media and advocated the need for the Due Process.
- ❑ *Website* – The website – the gateway with various stakeholders – would promote information sharing, provide information on the Due Process, allow feedback and publicize the status of specific contracts.

Various outcomes are contributing to an improved policy environment:

- an early 2005 Budget (October 12 2004 - ahead of other years) raises confidence;
- MTEF bolsters public expenditure management;
- new chart of accounts raises accountability; and
- the media coverage on the communication strategy for the Due Process dispels misperception.

⁵ The composition of the group is described above.

Recommendations for Preparing FY2005 Budget Circular
and
Comments on FY2004 Budget Circular

General principles for the budget circular

To support an effective budget preparation process, the budget circular must provide clear and concise guidance to departments and other budget organizations. That guidance should include the following:

- A realistic schedule of dates and deadlines for the various stages of the budget preparation process, including materials to be submitted by budget organizations, documentation to be provided by budget authorities to budget organizations, dates for key decisions by budget authorities (i.e. MOF, Cabinet committees, etc.) and dates for any bilateral negotiations between budget authorities and individual departments.
- A clear statement of the government's strategic policy priorities, a concise overview of up-to-date macroeconomic forecasts, and robust estimates of key fiscal parameters budget organizations are expected to use when developing their submissions (e.g. indicative departmental and sectoral spending ceilings, macroeconomic forecasts of growth, inflation, interest and exchange rates, a brief explanation of top priority programs and sectors, and medium-term targets for fiscal aggregates such as total expenditures, total revenues, budget deficit/surplus, and the ratio of debt to GDP).
- Detailed instructions regarding specific financial or other fiscal information required of budget organizations. In particular, the circular should highlight at the outset any changes vis-à-vis information required in the previous year's submission.

Comments on budget circular for FY2004

The 2004 budget circular includes elements of these essential characteristics, but falls short in many respects. To initiate an effective budget process, one supporting both aggregate fiscal discipline and a strategic allocation of scarce resources in accordance with well defined sectoral policy priorities, significant modifications are necessary in all three of the areas noted above.

Beginning with *the budget cycle*, several critical shortcomings are apparent.

- The circular is dated November 17 and sets a deadline of December 1 for submissions. Two weeks is entirely insufficient for ministries to prepare well-formulated budget submissions.
- The December 1 deadline leaves much too little time for assessing submissions, bilateral discussions with ministries, consultations with civil society, consolidation of

budget submissions, preparation of budget documentation, presentation of the budget to the National Assembly and its thorough consideration by members *before* the start of the fiscal year.

- The circular lacks a concise and comprehensive listing of key dates and deadlines for all stages of the budget preparation cycle through to legislative approval and publication.

Fiscal Issues

With regard to communicating *policy priorities, economic forecasts and fiscal parameters*, the 2004 circular offers a discussion of macroeconomic and fiscal conditions, including forecasts for key fiscal aggregates (i.e. revenue, expenditure and the deficit) and targets for macroeconomic indicators (i.e. growth and inflation). However, the 2004 circular again fails to meet certain critical requirements for effective communication of information most essential for ministries preparing budget submissions. In particular,

- Macroeconomic parameters are given as *targets* and appear to lack the rigour, and possibly the realism, of being derived as outputs of a robust forecasting model.
- Clear communication of the most critical macroeconomic and fiscal information necessary for budget preparation is clouded by the relatively lengthy and broad discussion of macroeconomic and fiscal conditions.
- The circular lacks indicative expenditure ceilings for individual sectors and/or ministries. A top-down resource envelope reflecting FEC consensus is critical for both aggregate fiscal discipline and the allocation of budget resources consistent with the Government's policy priorities.
- Sectoral or programmatic policy priorities noted in the circular are too general and too broad to be effective in guiding budget preparation and subsequent resource allocation. Policy priorities should identify specific program areas within a given sector and focus on a smaller number of "priority" sectors.

Submissions

With regard to *guidelines for the content of submissions*, the most significant shortcomings to address in revising the 2004 circular are as follows:

- Forms and accompanying instructions presently lack a medium-term horizon, with requests for only annual data for the coming fiscal year.
- The categories of fiscal information requested in the forms are not in line with the revised chart of accounts.

- The circular presently lacks a request for submission of a cash payment schedule, essential for the government to manage aggregate cash flows and minimize the cost of government borrowing.
- The forms are almost entirely input oriented, lacking any demand for ministries to look at their budget from the perspective of objective, programs, activities and outputs. This is critical for linking budget financing to policy priorities.
- The circular lacks any differentiation of funding for new versus existing program activities, where a new initiative may be either an increase in the level of services for an existing activity or the initiation of an entirely new activity.
- The circular lacks a request for ministries to identify savings initiatives or efficiency dividends on existing programs.

Recommendations for preparing the budget circular for FY2005

- The circular should include a table listing all key dates and deadlines for budget preparation, from that for ministerial submissions, through bilateral meetings with budget authorities, finalization of ministerial budget allocations by budget authorities, submission of the budget to the national assembly and publication of the approved budget.
- To provide adequate time for successful completion of all stages of the budget cycle (assessing submissions, bilateral discussions with ministries, consultations with civil society, consolidation of budget submissions, preparation of budget documentation, presentation of the budget to the National Assembly and its thorough consideration by members) *before* the start of the fiscal year, the circular should be prepared and distributed before the end of June.
- Forms requesting financial data must be revised to support the transition to a medium-term horizon for budget planning, specifically by requiring that submissions provide *indicative* estimates of annual funding needs for the second and third years of a three-year horizon.
- Forms requesting budget information from the ministries must be revised to support the implementation of a GFS-based budget classification, starting with the revised chart of accounts.
- Ministries should be required to prepare and provide a cash payment schedule for funds incorporated into their budget requests. This is essential for financial authorities to successfully manage aggregate cash flow, minimize costs of government borrowing, and to support smoother budget implementation, i.e. one that avoids costly interruptions and delays due to either administrative processes or liquidity constraints. An appropriate mechanism should be designed and implemented by budget authorities to provide ministries with correct incentives to

produce reasonably accurate and robust cash payment schedules requiring relatively infrequent revisions during budget execution.

- The circular should be used to initiate the transition to a program-based budget by requiring submissions include a concise statement of each organization's goals or objectives, a description of specific program activities and how they are linked to the key objectives, and a preliminary identification of measurable outputs for each of the program activities. The next step to be taken in subsequent years is to link requests for budgetary resources to individual programs and outputs.
- The circular should require budget organizations to differentiate funding required for delivery of current service levels and funding requested to support new policy initiatives, where a new initiative may be either an increase in the level of services for an existing activity or the initiation of an entirely new activity. This disaggregation will allow budget authorities to view their total pool of resources as consisting of two components, one pool for funding existing services and, should revenue projections allow for it, a second pool for funding new initiatives in accordance with the government's stated policy priorities.
- Budget organizations could also be asked to identify possible savings initiatives in their provision of existing services, with savings coming either from a more efficient delivery of existing services or elimination of low-benefit activities. Any such savings identified by ministries would be made available to them as a source of funding to their proposed new spending initiatives.
- An organic budget law is necessary for setting out the principles of budget management and regulating all stages of the budget cycle, including budget preparation, execution and reporting.

To conclude these comments and recommendations, we suggest a *revised format for the budget circular* with sections covering the following areas:

- a) A table presenting dates and deadlines for significant decisions and information to be exchanged between ministries, budget authorities (including the MOF, the FEC, the Presidential administration and the National Assembly) covering all stages of the budget preparation process.
- b) A brief and concise summary of macroeconomic indicators (i.e. inflation rates, interest rates, and exchange rates) and aggregate fiscal parameters (total revenues, total expenditures and deficit/surplus) essential for budget preparation by the ministries over a medium-term horizon.
- c) A concise statement of the Government's policy priorities for the coming year and for a medium-term horizon, highlighting priority sectors *and* specific program areas as agreed by the FEC and incorporated into an MTEF.

- d) Definition of budgetary ceilings for the individual sectors, ministries and agencies, again reflecting the consensus of FEC discussions.
- e) Instructions to the ministries and agencies on how to complete all attached financial forms and for preparation of explanatory notes for their budget proposals. Explanatory information should include a statement of a ministry's overall objectives and targeted outcomes, as well as descriptions of programs, activities and outputs as they relate to the ministry's objectives.
- f) A form requiring each ministry to prepare a robust forecast of their cash payments, preferably on a monthly basis (but possibly on a quarterly basis).

Recommendations for improving the budget cycle

To standardize, strengthen and increase the efficiency of the budget process, it is recommended that Nigeria needs to adopt a budget system law, starting at the Federal level. This law will not only specify and identify the main categories and components of the budgetary system, but will also provide clear and detailed guidance regulating all stages of the budget cycle.

Until such a budget system law can be prepared and adopted, the budget cycle must be established by some form of executive or presidential decree identifying the following main stages of the budget process. Looking at the FY2005 Federal budget as an example for setting out the recommended budget cycle, the following *timeline* is proposed:

January-June 2004: Development and approval of the medium-term macroeconomic fiscal forecasts i.e. 2005-2007 (in future years to evolve to fully developed MTEF)

July 2004: Preparation and distribution of budget circular by MOF to ministries

August 2004: Preparation and submission of budget proposals by ministries to MOF

September 2004: Bilateral discussion of ministry budget submissions with MOF

End of September 2004: Submission of the consolidated draft FY2005 budget to the Federal Executive Council by the MOF

End of October 2004: Approval of the final draft budget for FY 2005 by the Government and its submission to the National Assembly

November 2004: Discussion of draft budget in parliamentary committees

December 2004: Approval of budget for FY2005 in the National Assembly

April 2005: Submission to the National Assembly of approved financial reports on implementation of the Federal budget for 2004

Finally, it is important to add that with adoption of a law governing the Federal budget system, it is important that the same core budgetary principles and regulations be extended to the state and local budget process in order to provide coherence and consistency in public sector financial management across all tiers of government. This consistent application of principles and rules governing budget preparation and execution, as well as financial reporting, is essential for achieving accountability and transparency in fiscal management throughout the public sector.