PUBLIC FINANCIAL ASSESSMENT OF HIV SPENDING: AKWA IBOM STATE

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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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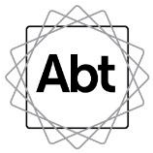

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DRAFT REPORT ON PFM ASSESSMENT OF HIV SPENDING: AKWA IBOM STATE

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ACRONYMS

AKSACA	Akwa Ibom State Agency for the Control of HIV/AIDS
AHSEEDS	Akwa Ibom State Economic Empowerment and Development Strategy
BCC	Budget Call Circular
CRFC	Consolidated Revenue Fund Charges
ExCo	Executive Council (of Akwa Ibom State Government)
F&GPC	Finance and General Purpose Committee
HFG	Health Finance and Governance
HIV/AIDS	Human Immune-Deficiency Virus/Acquired Immune Deficiency Syndrome
HMB	Hospital Management Board
MDAs	Ministries, Departments and Agencies
MoED	Ministry of Economic Development
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
NCH	National Council on Health
PFM	Public Financial Management
SACA	State Agencies for the Control of AIDS
SASCP	State HIV/AIDS and Sexually Transmitted Infections Control Programme
SBO	State Budget Office
SDP	State Development Plan
SHoA	State House of Assembly
SSG	Secretary to State Government

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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 Akwa Ibom 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:

- 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;
- Absence of advocacy regarding budget scrutiny and approval; and
- Reduction in budget estimates due to low funding in the previous years.

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

- Challenges in preparation of a memorandum requesting cash backing for budget execution;
- Lack of budget realism;
- Paucity of funds in the State Treasury;
- Differences in the priorities of top government functionaries and line managers in Ministries, Departments, and Agencies (MDAs) when requests for cash backing for budget execution are approved;
- Lethargy and delays in preparing and forwarding memoranda requesting for cash backing;
- The recurrent expenditure nature of HIV/AIDS interventions; and
- The reporting structure of the Akwa Ibom State Agency for the Control of HIV/AIDS (AKSACA).

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

- **Building the capacity for HIV/AIDS MDAs to prepare memorandum requesting cash payments from the Treasury:** There is need to provide capacity building to officials of AKSACA and the State HIV/AIDS and Sexually Transmitted Infections Control Programme (SASCP) on memorandum preparation to request cash backing for budget execution.
- **Preparing a State Development Plan or agreed priorities for development:** The state should embark on reviving the process of preparing a State Development Plan. A policy should be

developed on agreed priorities which outline the contribution of sectors and their linkages to the development of the state.

- **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.
- **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 the revenue estimates that will be achieved should be included in the budget and applied on realistic expenditure estimates.
- **Preparing and implementing quarterly work plans**: In order to significantly enhance the level of budget implementation, MDAs should use the annual budget, after its approval, to produce quarterly work plans. The work plans would be forwarded to the Ministry of Finance and Office of 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 Office of 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.
- **Advocating for HIV/AIDS interventions and funding needs:** Stakeholders should embark on advocacy at the highest level of government to create awareness of the AKSACA and SASCP mandate and their strategic initiatives for service delivery.
- **Processing payment requests by MDAs on a timely basis:** AKSACA 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.
- **Advocating to the Commissioner of Health:** There is need for relevant stakeholders to embark on advocacy to the Commissioner of Health, in order to sensitise him in taking interest in promoting the cause of ASKSACA and SASCP, which includes their needs to access funding from the treasury to execute their budgets.
- **Changing the legal framework setting up the State Agencies for the Control of AIDS (SACA):** 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 SACA. The proposed change should place the agencies in the health sector and require 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 Akwa Ibom 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 Akwa Ibom 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; Akwa Ibom State Budgets, 2014-2018; Akwa Ibom State Report of Auditor General and Accountant General, 2014-2016, etc.
- Interviews with key officials of Akwa Ibom State Government, including the Commissioner for Health; Permanent Secretary, Ministry of Health; Director of Planning, Research and Statistics in the Ministry of Health; Director of Accounts, Ministry of Health; Director Planning, Ministry of Economic Development; Head of the State Budget Office; Project Manager, Akwa Ibom State Agency for the Control of HIV/AIDS (AKSACA); Head of the State HIV/AIDS and Sexually Transmitted Infections Control Programme (SASCP), Ministry of Health, etc.

- Compilation of financial data on Akwa Ibom State budgets and actual performance, including the budget performance of the health sector, as well as Ministries, Departments and Agencies (MDAs) in the sector and AKSACA.
- 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

Akwa Ibom State was formed on September 23, 1987 from the former Cross River State. It is the tenth largest state in the country and it is located in the coastal southern part of Nigeria. The state is bordered on the east by Cross River State, on the west by Rivers State and Abia State, and on the south by the Atlantic Ocean.

In the 2016 National Population Census, Akwa Ibom State had a population of 3,902,051 people. Currently, the population estimates of the National Population Commission place the population at over 5 million people. Akwa Ibom is currently the highest oil-and gas-producing state in the Nigeria. The main ethnic groups are Ibibio, Annang and Oron.

2.2 Planning and Budgeting Process

Akwa Ibom State does not have a subsisting Development Plan approved by the State Government. Currently, there is no high level policy document that describes the agreed priorities of the major sectors indicating the contributions of the various sectors and their linkages to the overall development of the state.

The high level policy documents of the health sector are the State Health Strategic Operational Plan (2010 – 2015 and extended to 2017), and the State HIV/AIDS Strategic Operational Plan. The Health Strategic Operational Plan was developed with the support of a development partner. Based on the directive of the National Council on Health (NCH), the state intends to revise the plan to cover the period of 2018 – 2025. The State HIV/AIDS Strategic Operational Plan is the domesticated version of the National HIV/AIDS Strategic Plan. These plans are used to list the initiatives of the Ministry of Health and AKSACA, which is implemented through the annual budget.

At the beginning of the budget formulation process, the Resource Profile Committee chaired by the Commissioner for Finance meets to review revenue and expenditure trends. The Committee also ensures the preparation of budget revenue forecasts and expenditure ceilings of MDAs. The planning and budgeting process in the state is not based on a rigorous estimation of a realistic Medium Term Expenditure Framework (MTEF) and the preparation of Medium Term Sector Strategies (MTSS) to derive multi-year budget plans of MDAs in the sectors. However, multi-year fiscal forecasts of revenue and expenditure are prepared.

Budget preparation by Ministries, Departments and Agencies (MDAs) in the state commences when Budget Call Circulars (BCC) are issued to them. Two MDAs are involved in supervising and coordinating the preparation of the annual budget: the State Budget Office (SBO) which supervises the preparation of the recurrent expenditure budget (i.e. personnel and overhead costs), and the Planning Department of the Ministry of Economic Development (MoED) which provides guidance on the preparation of the capital expenditure budget. Each of the two MDAs issue a call circular to request for recurrent and capital expenditure budget proposals respectively from the various MDAs. The budget call circulars issued to MDAs for the preparation of budget estimates 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). Routinely, these political authorities are responsible for approving the budget as well as requests for funds to execute it after approval.

After the submission of budget proposals by the MDAs, the SBO and the Planning Department of MoED consolidate the proposed recurrent and capital expenditure estimates. The Recurrent Budget Harmonisation Committee is chaired by the Commissioner for Finance, and the Capital Budget Harmonisation Committee is chaired by the Commissioner for Economic Development. Thereafter, MDAs attend bilateral discussion sessions with Recurrent Budget Harmonisation Committee and the Capital Budget Harmonisation Committee to justify their proposed initiatives and the estimated costs. Subsequently, SBO and the Planning Department make adjustments to the estimates to fit into the revenue forecast. The state budget proposal is consolidated by the State Budget Harmonisation Committee and submitted to the State Executive Council (ExCo). The ExCo headed by the Governor reviews the proposed budget and makes further adjustments in the allocations based on the priorities of Government and sends it to the SHoA to scrutinise and approved. Usually MDAs are not consulted and have no input into the various adjustments in allocations during the finalisation the proposed budget.

In scrutinising budget estimates for approval, the SHoA works through its various committees which align with the major planning sectors. However, the SHoA is not guided by a State Development Plan (SDP) with agreed priorities, a realistic forecast of a Medium Term Fiscal Framework (MTFF), medium term allocation to sectors and expenditure ceiling, and medium term priorities of sectors. Consequently, there is some measure of political influence in the budget approval process.

The annual budgets of the state are usually approved and enacted into law in the first quarter of the fiscal year. For example, the budget for the 2018 fiscal year was approved on February 21, 2018. Therefore, delays in the approval of the budget may not be considered to constitute as an impediment to the effective execution of the approved expenditure in the fiscal year.

The various tasks involved in the planning and budgeting process in the state is summarised as follows:

- The Resource Profile Committee, chaired by the Commissioner for Finance, meets to review revenue and expenditure trends, as well as to ensure the preparation of budget revenue forecasts and expenditure ceilings of MDAs.
- Issuance of Budget Call Circulars by the State Budget Office and Planning Department of MoED.
- Preparation of budget proposals and costed estimates based on initiatives of MDAs. Health sector and AKSACA initiatives are mostly derived from the State Health Strategic Operational Plan and the State HIV/AIDS Strategic Operational Plan.
- Submission of budget estimates by MDAs to the SBO and Planning Department of MoED.
- Collation and consolidation of recurrent and capital expenditure estimates by the Recurrent Budget Harmonisation Committee and the Capital Budget Harmonisation Committee, respectively.
- MDAs meet with the Recurrent Budget Harmonisation Committee and the Capital Budget Harmonisation Committee in Bilateral Discussions Sessions to defend their initiatives and estimates.
- Finalisation of the budget estimates based on outcomes of the bilateral discussions, and the adjustments of allocations by SBO and Planning Department of MoED to fit revenue forecasts.
- Consolidation of the budget proposal by the State Budget Harmonisation Committee and submission to the State ExCo.
- Review of the proposed initiatives and estimates by the State ExCo and adjustments of allocations in

line with the priority of the Executive arm of government headed by the Governor.

- Submission of the proposed budget and Appropriation Bill to the SHoA.
- Scrutiny of the proposed budget and approval of estimates as well as passage of the Appropriation Law by the SHoA.
- Assent of the Appropriation Law by the Governor.

2.3 Budget Execution Process

The provisions of funds for the execution of expenditure approved in the state budget are undertaken through three channels as follows:

- Central payment of all personnel costs made up of salaries and allowances by the Treasury;
- Routine imprest system for the payment of overhead costs; and
- Special imprest system for the payment of capital expenditure.

MDAs prepare monthly salaries and allowance vouchers, and when the vouchers are verified to remove all errors, they are forwarded for approval and sent to the Treasury for payment. The provisions of cash to agencies that are not direct departments in Ministries, such as AKSACA, are treated as subventions to the agencies.

Every request for funds to execute approved expenditure, either from the routine imprest system for overhead costs or the special imprest system for capital expenditure, is made by the preparation of a memorandum requesting for cash payment by the treasury addressed to the Governor. The memorandum must be approved by the Governor before any cash payment is made by the treasury.

After an initial meeting by the management of an MDA to take a decision on the approved budget item to be implemented, a memorandum requesting cash is prepared by the MDA and addressed through the Commissioner responsible for the MDA to the Governor for approval. The Commissioner recommends the memorandum to the Governor for approval and writes a covering to support the request.

When the Governor approves the memorandum, it is sent to the originating Commissioner and a copy is sent to the Accountant General of the state, who is the head of the treasury. On receipt of the approved memorandum, the Commissioner minutes it to the Director of Accounts of the Ministry, who raises a voucher for the payment of the funds and sends the voucher to the Office of the Accountant General in the Treasury, attaching the memorandum approved by the Governor.

After receiving receipt, the Accountant General schedules the voucher for payment along with others received. When cash is available for payment, the Accountant General transfers cash to the bank account of the relevant Ministry. When the Commissioner is advised on the receipt of cash from the Accountant General, he gives approval for the cash to be transferred to the bank account of the MDA that is the beneficiary, for its utilisation. All cash payments are made by electronic transfer from the Treasury to the requesting Ministry and subsequently to the MDA that is the beneficiary.

A memoranda requesting for cash payment for budget execution by AKSACA is addressed to the Governor through the Secretary to the State Government (SSG). This is because the law setting up AKSACA made it an agency in the Office of the Governor. It reports to the Governor through the SSG. On receipt of a memorandum requesting for cash payment by AKSACA addressed the Governor, the SSG would treat it in the same manner of a memorandum addressed through a Commissioner to the Governor. When the memorandum is approved by the Governor, the SSG directs the Director of

Accounts of the Office of the SSG to raise a voucher and send to the Office of the Accountant General. Thereafter, cash is transferred to the Office of the SSG and subsequently transferred to AKSACA.

A public procurement law is yet to be enacted in Akwa Ibom State. Contracting procedures for public procurement are handled by the Ministerial Tenders Board and the State Finance and General Purposes Committee (F&GPC) in the Office of the Governor. For capital expenditure, when the value of a contract exceeds the limits of the Ministerial Tenders Board it is forwarded to the F&GPC for approval. Contracting processes above N50 million are approved by the Governor and the State ExCo.

The memorandum requesting for cash payment for the execution of capital expenditure under the special imprest system would have as attachments all the relevant documentation processed by the Tenders Board or the F&GPC.

Each MDA is required to retire cash received earlier under the imprest system when making a subsequent request. Therefore, cash received from an earlier request would be fully retired before a new request is sent to the Accountant General for an approved memorandum for cash payment.

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 endorses the memorandum and writes a covering letter to the Governor supporting the request for cash payment.
4. When the Governor approves the memorandum, it is sent to the originating Commissioner and a copy is sent to the Accountant General.
5. On receipt of the approved memorandum, the Commissioner minutes it to the Director of Accounts in the Ministry.
6. The Director of Accounts raises a payment voucher for the request for cash and sends it to the Accountant General, attaching the memorandum approved by the Governor.
7. The voucher received by the Accountant General is included in the schedule for payments depending on the cash position of the state. Payment is made on the availability of cash by the transfer of fund to the bank account of the originating Ministry.
8. On the receipt of cash from the Accountant General, the Commissioner of the originating Ministry gives authority and the fund is transferred to the bank account of the MDA that is the beneficiary.
9. Contracting procedures for the execution of capital expenditure are undertaken by the Ministerial Tenders Board or the State F&GPC, depending on the value of the transaction, before requests for cash payments are made. The documentation of the contracting process is attached to the memorandum requesting for cash payment for capital expenditure.
10. MDAs retire cash earlier received under the imprest system to the Accountant General before a new request is made and a new memorandum for cash payment is prepared.

3. BUDGET PERFORMANCE

3.1 Aggregate Expenditure Performance

Table 1 contains data on the aggregate expenditure of Akwa Ibom State in the 2014 to 2016 fiscal years. The data shows that in 2014, the performance of actual personnel cost when compared with the budget was 95.33%, while the performance of overhead costs and consolidated revenue fund charges was 90.13% respectively. Actual recurrent expenditure compared with the budget was 91.53%, while the performance of actual capital expenditure compared with the budget was 58.43%. In that year, actual total expenditure compared with the total budget expenditure was 69.42%.

In 2015, the actual total expenditure in relation to the budget was 48.73%. The personnel and overhead costs were 64.03% and 55.84%, respectively, while the performance of actual recurrent expenditure and actual capital expenditure when compared with the budget were 58.10% and 41.61%, respectively.

Actual total expenditure performance in relation with total budget expenditure was 45.11% in 2016, and personnel and overhead costs were 62.03% and 51.42%, respectively. Actual recurrent expenditure when compared with the budget was 54.73% and the performance of actual capital expenditure was 37.99% when compared with the budget.

The data indicates that the performance of actual expenditure when compared with the budget has progressively declined over the years. Generally, recurrent expenditure was higher than the capital expenditure. In the three years reviewed, the performance of capital expenditure in relation with the budget declined from 58.43% in 2014 to 41.61% in 2015 and 37.99% in 2016.

Table 1: Akwa Ibom State Aggregate Expenditure Performance, 2014-2016

Year	Details	Budget N	Actual N	Performance %
2014	Personnel Cost	44,788,672,100	42,695,680,398	95.33
	Overhead Cost/CRFC	120,751,028,000	108,826,858,875	90.13
	Recurrent Expenditure	**165,539,700,100**	**151,522,539,273**	**91.53**
	Capital Expenditure	333,000,000,000	194,572,236,885	58.43
	Aggregate Expenditure	**498,539,700,100**	**346,094,776,158**	**69.42**
2015	Personnel Cost	57,510,225,260	36,822,665,979	64.03
	Overhead Cost/CRFC	151,489,774,740	84,598,017,447	55.84
	Recurrent Expenditure	**209,000,000,000**	**121,420,683,426**	**58.10**
	Capital Expenditure	275,000,000,000	114,415,223,344	41.61
	Aggregate Expenditure	**484,000,000,000**	**235,835,906,770**	**48.73**
2016	Personnel Cost	56,206,626,700	34,863,742,268	62.03
	Overhead Cost/CRFC	123,793,373,300	63,658,752,208	51.42
	Recurrent Expenditure	**180,000,000,000**	**98,522,494,476**	**54.73**
	Capital Expenditure	243,000,000,000	92,305,936,498	37.99
	Aggregate Expenditure	**423,000,000,000**	**190,828,430,974**	**45.11**

As seen in Table 1, actual total expenditure when compared with the budget declined from 69.42% in 2014 to 48.73% in 2015 and 45.11%. The significant deviations of actual expenditure from budgeted expenditure over the years reviewed indicates lack of budget realism. The state budgets are not realistic and are not executed as planned.

3.2 Health Sector Budget Performance

Data on the budget performance of the health sector in the state is presented in Table 2. Based on the data, the recurrent expenditure was 98.51% in 2014, 72.92% in 2015 and 68.84% in 2016. Capital expenditure performance when compared with the budget was 55.96% in 2014, 61.83% in 2015 and 6.22% in 2016.

The data indicates that the performance of actual recurrent expenditure when compared with the budget is relatively higher than the performance of capital expenditure in relation to the budget. This is because recurrent expenditure includes personnel cost, which has high budget performance. The performance of actual capital expenditure of the sector when compared with the budget is relatively lower. In particular, the budget performance of capital expenditure in 2016 was quite low.

The situation further confirms the lack of budget realism and shows that the budget of the health sector is not implemented as planned in the provision of cash backing for budget execution.

Table 2: Akwa Ibom Health Sector Budget Performance, 2014-2016

Year	Details	Budget N	Actual N	Performance %
2014	Personnel Cost	4,479,861,020	4,468,594,768	99.75
	Overhead Cost	482,420,000	421,030,983	87.28
	Recurrent Grants & Subventions	29,400,000	27,500,000	93.54
	Recurrent Expenditure	**4,991,681,020**	**4,917,125,751**	**98.51**
	Capital Expenditure	16,548,000,000	9,260,373,705	55.96
	Total Expenditure	**21,539,681,020**	**14,177,499,456**	**65.82**
2015	Personnel Cost	6,403,748,070	4,789,853,130	74.80
	Overhead Cost	522,660,000	276,229,559	52.85
	Recurrent Grants & Subventions	49,800,000	20,825,000	41.82
	Recurrent Expenditure	**6,976,208,070**	**5,086,907,689**	**72.92**
	Capital Expenditure	12,974,000,000	8,021,135,575	61.83
	Total Expenditure	**19,950,208,070**	**13,108,043,264**	**65.70**
2016	Personnel Cost	7,471,271,320	5,499,445,465	73.61
	Overhead Cost	552,150,000	67,059,183	12.15
	Recurrent Grants & Subventions	74,400,000	7,600,000	10.22
	Recurrent Expenditure	**8,097,821,320**	**5,574,104,648**	**68.84**
	Capital Expenditure	7,635,081,000	475,128,573	6.22
	Total Expenditure	**15,732,902,320**	**6,049,233,221**	**38.45**

3.3 Budget Performance of HIV/AIDS Interventions Initiatives

Table 3 contains data on the details of health sector budget performance and shows the composition of the total budget and total actual expenditure of the sector. It has data on the budgeted and actual expenditure of major MDAs in the health sector and AKSACA.

The data shows that no cash backing was provided for the capital expenditure of AKSACA in the three fiscal years reviewed. Also, the actual overhead cost of AKSACA when compared with the budget declined from 67.42% in 2014 to 24.59% in 2015 and 6.12% in 2016. Due to the lack of cash backing for the capital expenditure of AKSACA in the previous years, the capital expenditure budget of the agency was reduced in 2016 by more than half of the provision in earlier years. Information obtained during this assessment indicates that no cash backing has been provided for the capital expenditure of AKSACA since the inception of the agency in 2012.

The budgeted expenditure and actual expenditure of the State HIV/AIDS Control Programme (SASCP), which is the implementing unit of HIV interventions in the Ministry of Health (MoH), is contained in the data of Ministry of Health Headquarters. SASCP is a unit in the Public Health Department of MoH. Data on the budgeted and actual expenditure of the unit is not reported separately.

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

Year	Details	Budget N	Actual N	Performance %
Ministry of Health Headquarters				
2014	Personnel Cost	1,117,341,620	1,116,884,652	99.96
	Overhead Cost	125,180,000	116,665,219	93.20
	Recurrent Expenditure	**1,242,521,620**	**1,233,549,871**	**99.28**
	Capital Expenditure	14,320,000,000	8,561,638,763	59.79
	Total Expenditure	**15,562,521,620**	**9,795,188,634**	**62.94**
2015	Personnel Cost	2,108,505,890	911,689,529	43.24
	Overhead Cost	137,720,000	85,251,849	61.90
	Recurrent Expenditure	**2,246,225,890**	**996,941,378**	**44.38**
	Capital Expenditure	10,905,000,000	7,793,764,075	71.47
	Total Expenditure	**13,151,225,890**	**8,790,705,453**	**66.84**
2016	Personnel Cost	1,434,274,690	948,076,769	66.10
	Overhead Cost	161,190,000	26,732,483	16.59
	Recurrent Expenditure	**1,595,464,690**	**974,809,252**	**61.10**
	Capital Expenditure	6,459,581,000	459,640,000	7.12
	Total Expenditure	**8,055,045,690**	**1,434,449,252**	**17.81**
Hospital Management Board				
2014	Personnel Cost	3,344,947,490	3,339,115,928	99.83
	Overhead Cost	60,040,000	46,452,345	77.37
	Recurrent Expenditure	**3,404,987,490**	**3,385,568,273**	**99.43**
	Capital Expenditure	1,728,000,000	698,734,942	40.44
	Total Expenditure	**5,132,987,490**	**4,084,303,215**	**79.57**
2015	Personnel Cost	4,271,664,690	3,869,613,412	90.59
	Overhead Cost	76,040,000	49,131,480	64.61
	Recurrent Expenditure	**4,347,704,690**	**3,918,744,892**	**90.13**
	Capital Expenditure	1,569,000,000	227,371,500	14.49
	Total Expenditure	**5,916,704,690**	**4,146,116,392**	**70.08**
2016	Personnel Cost	6,012,105,570	4,536,649,544	75.46

	Overhead Cost	81,080,000	11,626,500	14.34
	Recurrent Expenditure	**6,093,185,570**	**4,548,276,044**	**74.65**
	Capital Expenditure	959,500,000	15,488,573	1.61
	Total Expenditure	**7,052,685,570**	**4,563,764,617**	**64.71**
Government Hospitals				
2014	Personnel Cost	0	0	0
	Overhead Cost	277,200,000	244,429,619	88.18
	Total Recurrent Expenditure	**277,200,000**	**244,429,619**	**88.18**
2015	Personnel Cost	0	0	0
	Overhead Cost	277,200,000	134,051,730	48.34
	Total Recurrent Expenditure	**277,200,000**	**134,051,730**	**48.34**
2016	Personnel Cost	0	0	0
	Overhead Cost	277,200,000	26,700,200	9.63
	Total Recurrent Expenditure	**277,200,000**	**26,700,200**	**9.63**
AKSACA				
2014	Personnel Cost	17,571,910	12,594,188	71.67
	Overhead Cost	20,000,000	13,483,800	67.42
	Recurrent Expenditure	**37,571,910**	**26,077,988**	**69.41**
	Capital Expenditure	500,000,000	0	0
	Total Expenditure	**537,571,910**	**26077,988**	**4.85**
2015	Personnel Cost	23,577,490	8,550,189	36.26
	Overhead Cost	31,700,000	7,794,500	24.59
	Recurrent Expenditure	**55,277,490**	**16,344,689**	**29.57**
	Capital Expenditure	500,000,000	0	0
	Total Expenditure	**555,277,490**	**16,344,689**	**2.94**
2016	Personnel Cost	24,891,060	14,719,152	59.13
	Overhead Cost	32,680,000	2,000,000	6.12
	Recurrent Expenditure	**57,571,060**	**16,719,152**	**29.04**
	Capital Expenditure	216,000,000	0	0
	Total Expenditure	**273,571,060**	**16,719,152**	**6.11**

Table 4: Recurrent Grants & Subventions to the Health Sector

		Budget (N)	Actual (N)
2014	AKS Drugs Revolving Committee	1,800,000	1,000,000
	Direct Intervention in Government Hospitals	18,000,000	17,500,000
	Health Research and Ethics Committee	0	0
	Maternal and Child Health Committee	0	0
	Medical Board (HMB)	0	0
	Medical Dental Council Monitoring Committee	0	0
	Ministry of Health	0	0
	Monitoring of Government Hospitals	6,000,000	
	Public Health Laboratory	3,600,000	3,000,000
	Total	**29,400,000**	**27,500,000**
2015	AKS Drugs Revolving Committee	1,800,000	975,000
	Direct Intervention in Government Hospitals	24,000,000	10,250,000
	Health Research and Ethics Committee	3,600,000	1,200,000
	Maternal and Child Health Committee	3,600,000	1,200,000

	Medical Board (HMB)	0	0
	Medical Dental Council Monitoring Committee	3,600,000	1,200,000
	Ministry of Health	0	0
	Monitoring of Government Hospitals	9,600,000	4,050,000
	Public Health Laboratory	3,600,000	1,950,000
	Total	**49,8000,000**	**20,825,000**
2016	AKS Drugs Revolving Committee	2,400,000	300,000
	Direct Intervention in Government Hospitals	12,000,000	2,500,000
	Health Research and Ethics Committee	3,600,000	900,000
	Maternal and Child Health Committee	3,600,000	900,000
	Medical Board (HMB)	24,000,000	0
	Medical Dental Council Monitoring Committee	3,600,000	900,000
	Ministry of Health	12,000,000	0
	Monitoring of Government Hospitals	9,600,000	1,500,000
	Public Health Laboratory	3,600,000	600,000
	Total	**74,400,000**	**7,600,000**

5. IDENTIFIED BOTTLENECKS AND INEFFICIENCY IN SPENDING

5.1 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 HIVAIDS interventions in the state:

1. **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 upon 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 intervention, to the development of the state and its sustenance through its human resources.

2. **Poor engagements with relevant stakeholders (influencers) 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.

3. **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.

4. **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.

5. **Reduction in budget estimates due to low funding in the past:** Due to low funding of budgets over the years, budget estimates of MDAs in the health sector and HIV/AIDS interventions in particular have been reduced. Therefore, budget proposals and allocations to HIV/AIDS interventions may not be the best possible allocations based on the macro-fiscal framework of the state.

5.2 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. **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.
2. **Lack of budget realism:** The planning and budgeting process lacks budget realism. Low budget out turns leading to significant deviations between budgeted and actual expenditure in budget execution indicate that the 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.
3. **Paucity of funds in the State Treasury:** A major issue 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 a low level of cash available in the treasury. Associated with this challenge is 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.
4. **Differences in the priorities of top government functionaries and line managers in MDAs:** Top government functionaries responsible for approving memoranda requesting for cash backing for budget execution appear to set priorities for the use of government funds that are different from the priority of service delivery in sectors. The functionaries tend to be interested primarily in capital expenditure in the building physical projects like roads, public building and structures, etc.
5. **Lethargy and delays in preparing and forwarding memoranda requesting for cash backing:** There is lethargy in preparing and forwarding 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 to 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, like towards the end of the fiscal year. Consequently, some of the requests may not be attended to.
6. **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.
7. **The reporting structure of AKSACA:** AKSACA is an extra-ministerial agency created by law to report to the Governor's Office, and does not report to the Commissioner of Health. This reporting arrangement appears to create a challenge for AKSACA in accessing funds to execute its budget. AKSACA is a service delivery agency but it is not represented in the State ExCo by a Commissioner from a service delivery sector, i.e. the health sector. In strict

compliance with the law setting the agency up, the Commissioner for Health may be reluctant to promote its cause.

5.3 Areas of Inefficiency in Spending on HIV/AIDS Interventions

Most HIV/AIDS interventions involve overhead cost. Some of the funds by MDAs for HIV/AIDS interventions are utilised to finance staff travelling costs to attend trainings and the payment of training fees. Therefore, most of the funds are not devoted to addressing service delivery interventions.

6. CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions

Akwa Ibom State does not have a high level policy document approved by government that describes the agreed priorities of the various sectors. The planning and budgeting process in the state is not based on a rigorous estimation of a realistic Medium Term Expenditure Framework (MTEF) and the preparation of Medium Term Sector Strategies (MTSS) to derive annual the budget plans of MDAs in the sectors. In addition, approval adjustments are made to budgetary allocations without the input of MDAs that planned budget proposals.

Every request to execute expenditure approved in the budget is made by the preparation of a memorandum requesting for cash backing addressed to the Governor. The memorandum must be approved by the Governor before any cash payment is made by the Treasury. When the Governor approves the memorandum, it is sent to the originating Commissioner and a request is sent to the Accountant General for cash payment. Funds are then transferred to the Ministry and subsequently transferred to the MDA that is the beneficiary.

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

- 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;
- Absence of advocacy at budget scrutiny and approval; and
- Reduction in budget estimates due to low funding in the previous years.

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

- Challenges in preparation of the memorandum requesting for cash backing for budget execution;
- Lack of budget realism;
- Paucity of funds in the State Treasury;
- Differences in the priorities of top government functionaries and line managers in MDAs when requests for cash backing for budget execution are approved;
- Lethargy and delays in preparing and forwarding Memoranda requesting for cash backing.
- Recurrent expenditure nature of HIV/AIDS interventions; and
- The reporting structure of AKSACA in the state.

6.2 Recommendations for the Mitigations of Bottlenecks

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

- **Building the capacity for HIV/AIDS MDAs to prepare memorandum requesting cash payments from the Treasury:** There is need to provide capacity building to officials of AKSACA 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 for cash backing from the treasury.
- **Preparing a State Development Plan or agreed priorities for development:** The state should embark on reviving the process of preparing of a State Development Plan, which began at the expiration of the Akwa Ibom State Economic and Empowerment Development Strategy (AKSEEDS) I and II. Alternatively, a policy should be developed on agreed priorities which outlines the contribution of sectors and their linkages to the development of the state.
- **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 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, after the approval of the budget the State Budget Office and Department of Planning in MoED should ensure that MDAs use the annual budget to produce quarterly work plans. The work plans submitted to the State Budget Office and Planning 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 Office of 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 preparing 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.
- **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 AKSACA and SASCP and their strategic initiatives for service delivery. This would facilitate the provisions of

more funds to meet requests for cash backing of HIV/AIDS interventions.

- **Processing payment requests by MDAs on a timely basis:** AKSACA and SASCP should effectively plan their budget implementation to enable them process requests for cash backing early in the fiscal year. This would reduce lethargy and delays in the processing of requests for cash backing.
- **Advocating to the Commissioner of Health:** There is need for relevant stakeholders to embark on advocacy to the Commissioner of Health to sensitise him to take interest in promoting the cause and ASKSACA and SASCP, including their needs to access funding from the treasury to execute their budgets.
- **Changing the legal framework setting up SACA:** 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 SACA. The change should place the agencies in the health sector and require them to report to the Ministry of Health at both the federal and state levels.

6.3 Recommendations for Improvements of Areas of Inefficiency

It is recommended that MDAs involved in HIV/AIDS interventions should devote 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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