



THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

3RD SESSION

NBI CA. PLC. 2015 / (28)

30th April, 2015

PAPER LAID

Pursuant to Standing Order 180 (6) I beg to lay the following Paper on the Table of the Assembly, today Thursday 30th April, 2015.

THE REPORT OF THE SELECT COMMITTEE ON BUDGET AND APPROPRIATIONS ON THE STUDY VISIT TO BAYELSA STATE GOVERNMENT, FEDERAL REPUBLIC OF NIGERIA.

(The Chairperson, Select Committee on Budget and Appropriations)

Copies to:

The Speaker
The Clerk
Hansard Editor
Hansard Reporters
The Press

*Approved
W/S Speaker
[Signature]
30/4/15*

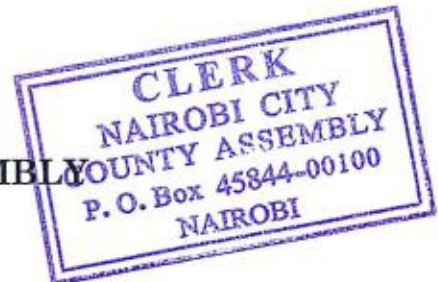
on 30/04/15

COUNTY GOVERNMENT OF NAIROBI CITY

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NAIROBI CITY COUNTY ASSEMBLY



**REPORT OF THE BUDGET AND APPROPRIATIONS COMMITTEE
ON THE STUDY VISIT TO BAYELSA STATE GOVERNMENT,
FEDERAL REPUBLIC OF NIGERIA**

Sunday 19th – Friday 24th October 2014



Background Information

The Budget and Appropriations Committee is established under Standing Order 189 and mandated to:

- a) *Investigate, inquire into and report on all matters related to coordination, control and monitoring of the of the county budget;*
- b) *Discuss and review the estimates and make recommendations to the County Assembly;*
- c) *Examine the County Fiscal Strategy Paper presented to the County Assembly;*
- d) *Examine Bills related to the county budget, including Appropriations Bills; and*
- e) *Evaluate tax estimates, economic and budgetary policies and programs with direct budget outlay*

In furtherance of its mandate the Committee resolved to undertake a benchmarking exercise in the Federal Republic of Nigeria and specifically the Bayelsa State House of Assembly. The aim of the visit was to enable the Committee appraise itself on how its counterpart in Bayelsa had been able to ensure financial probity and fiscal discipline on management of public finances. The exercise took place between 19th and 24th October 2014.

The Federal Republic of Nigeria is a nation in West Africa with a federal system of government comprising of 36 states and 774 local governments. The nation in addition has retained Abuja as Federal Capital Territory within the purview of the Federal Government. In terms of economic activity the 174 million people state has the largest economy in Africa in terms of Gross Domestic Product (GDP) at \$550million with official figures indicating that Nigeria is the 12th largest producer of oil in the world and its 8th largest exporter.

Bayelsa State Government, which formed the destiny of this study visit, is a state in Southern Nigeria and has been in existence for the past 18 years. The state lies between Delta State and Rivers State and was formed in the year 1996 having been curved out the Rivers State. The State which has its capital city in Yenagoa has a substantial amount of crude oil production but widespread lack of commercial infrastructure has restricted the activity to Civil Service State. Bayelsa State is further subdivided into 8 local governments.

The State Government is headed by an Executive Governor assisted by the Deputy Governor with the Executive Council comprising of High Commissioners. On the legislative arm the State House of Assembly is headed by the Speaker and the Leader of the House also known as the Leader of Majority Party. The Governor has enormous responsibilities including appointing of judges to State Judiciary with recommendation from the National Judicial Council.

Committee Membership

The County Assembly Budget & Appropriations Committee comprises of the following 19 Members:

- | | |
|--------------------------------------|----------------------|
| 1. Hon. Michael O. Okumu, MCA | Chairman |
| 2. Hon. George Ochola, MCA. | Vice Chairman |
| 3. Hon. Alfred Ambani, MCA. | |
| 4. Hon. Maurice O. Akuk, MCA | |
| 5. Hon. Oscar Lore, MCA | |
| 6. Hon. Osman Adow Ibrahim, MCA. | |
| 7. Hon. Jackson Kiama Gikandi, MCA. | |
| 8. Hon. Kenneth Thugi Muroki, MCA | |
| 9. Hon. David Njoroge Kairu, MCA | |
| 10. Hon. Petronilla Nafula, MCA | |
| 11. Hon. Herman Azungu, MCA | |
| 12. Hon. Emmaculate Musya, MCA | |
| 13. Hon. Joash Omwenga, MCA | |
| 14. Hon. Kennedy Oduru, MCA | |
| 15. Hon. Isaac N. Ngige, MCA | |
| 16. Hon. Ngaruiya Chege, MCA | |
| 17. Hon. Samuel Irungu, MCA | |
| 18. Hon. Benedette Wangui, MCA | |
| 19. Hon. Victoria Alali, MCA | |

The following five (5) Members of the Committee and one (1) Member of Staff took part in the study visit:

1. Hon. George O. Ochola, MCA
2. Hon. Petronilla Nafula, MCA
3. Hon. Joash Omwenga, MCA

4. Hon. Ngaruiya Chege, MCA
5. Hon. Victoria Alali, MCA
6. Mr. Erick Otieno

Acknowledgement

The Select Committee on Budget and Appropriations wishes to thank the Offices of the Speaker and the Clerk of the Nairobi City County Assembly for all the support they extended so as to make this study visit a reality

The Committee further extends its gratitude to the Bayelsa State Assembly Majority Leader, Hon (Dr) Peter Akpe who was at the forefront in addressing correspondences and arranging necessary logistics for the trip to occur. The Committee would also wish to notice the indelible support received from the other Bayelsa State Assembly officials, the Ministries of Budget and Economic Planning, the officers at the Oloibiri Oil Well, the Deputy Governor, the Director General of the Bayelsa State Microfinance and Enterprises Development Agency, the State Treasury and the Board of Internal Revenue.

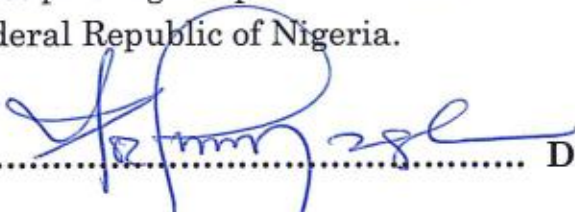
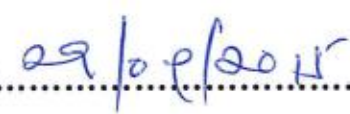
The delegation was privileged to meet their counterparts and other respectable representatives of the Bayelsa State House of Assembly and share valuable experiences on how the two regional governments were ensuring prudent management of public finances. Of note was the meeting with the Rt. Hon. Speaker who reminded the team of the importance of elected representatives in maintaining fiscal discipline. The delegation enjoyed the discussions held with His Excellency the Deputy Governor, High Commissioners, Heads of Government Departments and other government officials.

The Committee commends the warm reception and friendly hosting that the team accorded them. It did not go without notice that despite it being a campaign period in readiness for elections due early next year, the elected officials from Bayelsa were always available to attend to the Kenyan delegation.

Finally, the Committee thanks the Members of the Committee on Budget and Appropriations for their commitment and informative contributions that made the deliberations not only fruitful but also invaluable for the success of the exchange program.

Hon. Members,

On behalf of the Budget and Appropriations Committee, it is my pleasant duty and utmost privilege to present the Committees report on the benchmarking visit to the Federal Republic of Nigeria.

Signed.....  Date..... 

Hon. Michael O. Okumu, MCA

Chairman, Budget and Appropriations Committee

CHAPTER ONE: MEETINGS WITH VARIOUS STAKEHOLDERS

1.1 Finance and Appropriations Committee

1.1.1 Introduction

The Committee Members started their study visit to the State Assembly by paying a courtesy call to the man who had made the visit possible, the Hon. Peter Akpe who is the Leader of the House and also the Chairman of the Finance and Appropriations Committee. In the meeting, the Leader highlighted to the visiting team the budget process in the State and in the involvement of the State Assembly in the management of public finances.

1.1.2 Overview of the Budget Process in Bayelsa State Government

The Chairman informed the Kenyan team that Section 122 of the Constitution of the Federal Republic of Nigeria decrees that the Governor of the State shall cause to be laid in the house estimates of revenues and expenditure at particular times as set out in the Fiscal Responsibility Law. While emphasizing that the fiscal year for the State was similar to the calendar year, the Leader of the House told the meeting that once laid the estimates are assumed to have been read for the first time. This is followed by the House Procedure and Business Committee putting a date for its second reading where discussions are held on its adoption or otherwise. It was recorded that once adopted, the estimates are committed to the Finance and Appropriations Committee who write to all house departmental committees to review the budget for areas they oversight. In this undertaking, it was noted that the departmental committees work as sub-committees of the Finance and Appropriations Committee. The report of the Finance and Appropriations Committee contains the submissions of the departmental committees and it is discussed at the House Committee of Supply Chaired by the Hon. Speaker.

On the major hallmarks of the State Assembly in ensuring that there is fiscal discipline, the Leader informed the meeting that whereas there was Authority to Incur Expenditure holders, the onus was squarely within the Assembly to ensure that the AIE releases are within the law.

1.1.3 Financial Laws

The State Assembly had put in place a number of laws to bar financial recklessness including:

- i. Transparency Law which requires the Governor to broadcast revenue and expenditure for the government on a monthly basis;
- ii. Compulsory savings law which require that State and National Government save at least 5% of all income per month;
- iii. Payroll law to set limits of salaries and allowances;
- iv. Prohibit law; and
- v. Personal Income Tax law.

1.1.4 Q & A Session

- i. **How the State gets funds:** The meeting was reminded that approximately 90% of all revenue for the federation comes from oil and gas with such being shared among the 36 states and the local governments. In addition, the state is allowed by law to collect PAYE, withholding tax, court fines, property taxes, drivers' licenses fees, registration fees, probate fees among others. On the other hand it was noted that the federal government collects petroleum profits, capital gains taxes, excise duty; and
- ii. **How the state ensures that there is equitable distribution of development and how ensured that the projects to be pursued in any financial year were spread across all the constituencies:** The delegation was informed that it is incumbent on the Member representing the areas to advance the interests of their respective constituencies and ensure that they have development projects. Further, the ministers appointed by the Governor were from all the Constituencies hence it was highly unlikely for them to ignore their regions in coming up with priority projects for funding.

1.2 **Board of Internal Revenue**

The representatives of the Budget Committee had the chance to meet with the Chairman and other senior officials of the Board of Internal Revenue. From the very onset parallels were drawn between the working of the board and the Kenya Revenue Authority which is the main collector of revenue in Kenya. The Chair informed the Kenyan team that the State had established Internal Government Revenue Account in every bank into which the state revenue was paid by all. He was specific that the State had effectively rolled

out e-payment in all government operations. The team was impressed to learn that the State had been given jurisdiction to run Motor vehicle registry and thus far had set up a Motor Licensing Authority for that purpose.

On how the State was ensuring that officers elected into office are of integrity, the Chairman explained that it was a legal requirement for contesting officers to substantiate their wealth at point of entry into service and at the point of exit. He was indeed candid that cases of illegal acquisition of land were present but since coming into force of the Bayelsa State Geographical Act the cases had been greatly arrested.

1.3 Presentation by the Senior Special Assistant to the Governor on Millennium Development Goals (MDGs)

The Governor's special assistant reminded the meeting of the MDGs and pointed out to Members that the Office had been set up with the sole purpose of ensuring that the goals are realised before the 2015 timeline. He told the gathering that the team, working under the Governor's Office, was mandated with the responsibility of ensuring that the workings of all government ministries, departments and agencies (MDAs) was geared towards realization of the MDGs.

In this regard, the Senior Assistant informed the Members that since coming into office, they had overseen a number of progressive moves including construction of classrooms, supply of learning materials, digging of boreholes, providing grants for cooperative societies for Agribusiness among others. The team was further enlightened that the Office was alert to ensure that there was sustainability of development goals post 2015 MDG limit.

1.3 Presentation by the High Commissioner – Ministry of Budget and Economic Planning: Hon. (Chief) Ambrose Ake

1.3.1 Overview of the Work of the Ministry

The ministry has three departments namely Budget Office, Planning Department and Statistics Department. With the focus of the visiting team being on the working of the Budget Office, the delegation was informed that the Office had been set up to craft the budget of the state. It was noted that the budget cycle is regulated by the Fiscal Responsibility Law and has to live within the budget ceilings set in the Medium Term Expenditure Framework and the Medium Term Expenditure Strategy.

1.3.2 Q & A Session

- i. **Measures put in place to ensure that the MDAs spend within the approved budget:** The Budget and Appropriations Committee Members from Nairobi wanted to know the action plan which had been put in place by the State Government to ensure that all actors in government spend within the set limits. The Budget Ministry explained that thus far there had been no cases of over-expenditure because Ministry had to clear all expenditure requests and releases which at all times had to be within the approved budget. The delegation understood that it remained within the purview of the Ministry to determine how any new application related to the budget allocation;
- ii. **How the State has handled debt and contingent liabilities:** The Kenyan team informed their Nigerian counterparts the City County of Nairobi was grappling with challenges on how to contain the growth of public debt and statutory deductions and was hence interested in knowing how to limit the growth of the same. The Ministry was categorical that it was practically impossible for there to be unplanned debt acquisition since every budget had a provision for debt. This in addition to rolling out a working Debt Management Office to monitor and advice on all matters related debt acquisition and management;
- iii. **How the Government is ensuring Affirmative Action in its operations:** The Kenyan team was enthusiastic to know how the State was mainstreaming women, youth and persons living with disabilities in the operations of government. The Ministry clarified that the incumbent Governor was quite passionate about gender issues and had to that end set up a ministry for that purpose;
- iv. **How much the State was allocating to development as compared to recurrent budget:** Questions were asked on the exact percentages of the total budget that had been set aside for capital projects as opposed to recurrent expenses. The Ministry explained that the State being Civil Service State where the government was the highest employer providing nearly 80% of employment opportunities, it has a huge wage and other related costs consuming 55% of the total budget. For avoidance of doubt therefore, the government spent 55% on recurrent expenses and 45% on development.

1.4 State Employee and Expenditure for Results Projects Secretariat (SEEFOR)

1.4.1 Overview of the working of SEEFOR

The members held discussions with the officers who had been tasked with the responsibility of creating employment opportunities for the youth and women as well as undertaking a number of reforms within the Bayelsa State. The team was informed that the projects are jointly funded by the International Development Agency (IDA) and World Bank with the over-anchoring role of creating employment access and Socio-Economic Services and undertaking public finance management reforms. At the time the Agency had managed to create employment to over 1000 youths, undertake comprehensive budget reforms among other wide range of hallmark achievements.

The Kenyan team was greatly impressed that the State had set up measures to identify and implement projects.

1.4.2 Q & A Session

- i. **How the institution was ensuring that there are no elephant projects:** The team was interested to know how SEEFOR was ensuring that the projects once started were done to completion and finally utilised for the intended purposes. The head of team told the meeting that they only pay for projects when the level of completion has been reached as per the signed agreements. In addition they had been permitted to freeze accounts of contractors until work is completed; and
- ii. **Who owns the projects after completion and their sustainability plan:** Questions were asked on how the State made the projects relevant in the long-run and whether there was any transfer policy of the projects. SEEFOR explained that their work was properly underpinned in law and there had been sensitization for the people to understand their role in the sustainability of the projects.

1.5 State Treasury

1.5.1 Brief on the Role of the Office

The presentation informed the Kenyan team that the role of the State Treasury as one of the departments under the Ministry of Finance was to

supervise utilisation of funds. The other departments under the Ministry of Finance being the Internal Revenue Board, Office of the Accountant- General and Office of the Special Advisor to the Governor on Treasury Matters.

The team was enlightened that the Governor's Restoration Agenda was to enforce best practises in the management of state resources and improve transparency in government business. To realize this, the Governor, supported by legislation passed by the State House of Assembly, had initiated monthly transparency briefings to publicly declare the position of the State. The briefing contains a report on the State inflows, outflows as well as balances

1.5.2 Q & A Session

The visiting delegation had the following questions and the host responded as indicated:

- i. **What deductions at source implied:** Members wanted to know what the component of deduction at source implied. The Treasury explained that it referred to deductions for allocations to specific MDAs by the federal government for identified purposes. These therefore included liabilities that have been agreed upon by the State Government;
- ii. **The role of the State Treasury in drafting the budget:** It was explained the onus of budget preparation fell squarely with the Ministry of Budget and Economic Planning with the State Treasury having input like all government departments;
- iii. **The limit on number of accounts that can be held by the State:** The Nairobi delegation, arising from the problems in their home county, wanted to know whether there was a limit to the maximum number of accounts that could be operated by the State. They were enlightened that the work of opening bank accounts belonged to the Accountant General. The State had a Consolidated Revenue Fund Account at the Federal Central Bank with monies from the fund payable to two accounts namely Revenue and Development Accounts. It was the submission of the State Treasury however; that there was no law limiting the number of operational accounts that could be run by the state.

1.6 Bayelsa State Microfinance and Enterprises Development Agency

The agency took the visiting team through its master plan on how it intended to assist Small and Medium Term Enterprises to up lift the people's standards of living. It was noted that the model was rolled out after a benchmarking exercise in Kenya. The meeting was told that the agency did not charge trainees any fees but aim to empower the beneficiaries to be self-sufficient. In this regard, the Agency advanced loans amounting to N 500,000 which they would repay at an interest rate of 5% p.a. They were required to repay in two years with moratorium of one year. However, they were quick to point out that the cooperative system in Kenya was quite elaborate and worth emulating.

CHAPTER TWO: LESSONS LEARNT FROM THE BAYELSA EXAMPLE

1. Transparency in management of public finances has been greatly inculcated in the lives of the people of Bayelsa. It was encouraging for the Committee to note that the Fiscal Responsibility Law which is similar to our own Public Finance Management Act has procedures for the Governor to provide monthly transparency briefing;
2. The Members of the State House of Assembly have been accorded enormous State resources including a vehicle, two bodyguards and a chase car. This recognition of the critical roles that these grassroots representatives play in the overall national structure was most appealing;
3. The State had been given the nod to collect a number of taxes and oversee functions that make it unique. For example every State in the Federal Republic of Nigeria has a Motor Licensing Authority thereby being able to regulate registration of motor vehicles at the local level. The vehicles therefore have State names as part of the number plates;
4. The initiatives that have been set up to empower the youth, women and those disadvantaged in society to succeed were impressive. The roles of SEEFOR and Microfinance institutions in the long-term objective of bridging the inequality gap was an eye-opener to the Kenyan delegation;
5. The importance of education in leadership was greatly underscored during the visit. It was surprising to realize that the Bayelsa State House of Assembly is made up of only graduates making the deliberations not only fruitful but also informed. It was insightful to learn that the Chairperson of the Finance and Appropriations who is also the Majority Leader is a PhD holder; and
6. The State Government has put at bay contingent liabilities and all government activities are performed with present revenues

CHAPTER THREE: CONCLUSION AND RECOMMENDATIONS

3.1 Conclusion

The visit to Bayelsa was an opportunity for the delegation to witness how regional governments can help, with the right leadership, to improve the lives of the citizens at the very grassroots. The State despite being the youngest had made enormous strides forward towards ensuring that the service delivery to the people is not compromised.

During the visit to the various towns the locals were keen to remind the Kenyan team to avoid the oil curse in case oil is identified of commercial magnitude within the Kenyan borders. In this regard, the Committee must culminate its report by urging the national government to ensure that all the bad ilks that come with oil exploitation do not become part of our livelihood. The Common curses they identified included:

- i. Widespread corruption;
- ii. Abandoning of traditional activities like agriculture; and
- iii. Internal wrangles for control of oil proceeds

The delegation would report that the Nigerians are proud of their State and are ready to do everything within their ability to make it a better place. This is a model that needs to be borrowed for this City so that everyone who lives and works within remains proudly Nairobiian.

Nairobi City County as the Capital City of the Republic of Kenya has a lot to learn from the Bayelsa State by emphasizing the need to maintain transparency and accountability in the use of public finances. The adoption of sound fiscal laws free of political gerrymandering needs to be encouraged as a first step towards ensuring the success of devolution.

3.2 Recommendations

Following the visit to Bayelsa State Government, the Committee invites the Assembly to resolve as follows:

1. That the necessary legal instruments be put in place for the Governor to provide a bi-monthly transparency briefing. This would be satisfying the provisions of Article 201 of the Constitution which require responsible financial management and clear fiscal reporting;

2. The relevant authorities should move with speed and provide the Members of the County Assembly with security within and outside the precincts of the Assembly. Whereas the Committee appreciates that the resource envelope may not suffice to provide the MCAs with the retinue of services like is in Bayelsa, the minimum starting point should be to ensure that the Members are not only safe but they also feel safe;
3. That measures need to be put in place to decentralize all financial and procurement functions of the county government;
4. The Senate needs to move with speed and pass legislation that would require all elected representatives to attain some minimum level of education. Oversight with knowledge should be the key; and
5. This County must learn to live within its means. All wanton debt and overdrafts acquisitions must be avoided at all times



