

# UTILIZATION OF REPATRIATED ABACHA LOOT

## **RESULTS OF THE FIELD MONITORING EXERCISE**

Report Prepared by the World Bank with Cooperation from the  
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The Integrity team was supported by Lev Freinkman (World Bank) and Philip Osafo-Kwaako (Federal Ministry of Finance, FMF).

Dr. Bright Okogu, Adviser to the Federal Minister of Finance, coordinated participation of various government agencies in the preparation of the report.

The field monitoring survey was undertaken by a group of 20 field monitors representing 6 federal ministries and various Nigerian CSOs. David Ugolor (African Network for Environment and Economic Justice, ANEEJ) coordinated CSO participation in project monitoring, while A.M. Adeshina (FMF) coordinated participation of government representatives.

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## **EXECUTIVE SUMMARY**

### **INTRODUCTION**

On February 7, 2005 the Federal Supreme Court of Switzerland authorized the repatriation by Switzerland to Nigeria of funds deposited by the Abacha family in Switzerland. Switzerland is the first country to repatriate to Nigeria funds looted by earlier military administrations. The actual repatriation took place in two tranches – in September and November of 2005 (US\$461.3 mn) and (mostly<sup>1</sup>) in the 1<sup>st</sup> quarter of 2006 (\$44.1 mn). The total amount received by the Federal Government of Nigeria was equivalent to \$505.5 mn.

In a letter to His Excellency, The Ambassador of Switzerland to Nigeria dated January 9, 2005 the Federal Ministry of Finance (FMF) explained that the US\$500m (NGN 65 billion) of Abacha Looted Funds was programmed into and utilized in the 2004 budget. The FMF further clarified that, partly in anticipation of the repatriation of the recovered (looted) funds from Switzerland and in line with its comprehensive economic reform program (NEEDS), the Government increased its outlays to key sectors in the 2004 budget. A major objective of the budget was to target specific sectors that could move the country towards achievement of the Millennium Development Goals (MDGs). These sectors include Health, Education, Water, Electricity and Roads and it was commonly understood that repatriated Abacha funds would be spent within these 5 sectors, mostly on new and ongoing investment projects.

As a part of repatriation process, the Nigerian and Swiss Governments, and the World Bank, agreed for a study to be carried out to analyze the use of the repatriated funds, particularly in terms of the contribution for these funds to the NEEDS as part of a review of public expenditures to be carried out by Nigeria and the Bank under the Country Partnership Strategy. This report is prepared in line with those earlier agreements. The report objective was to verify that additional budget resources went to the agreed development projects and

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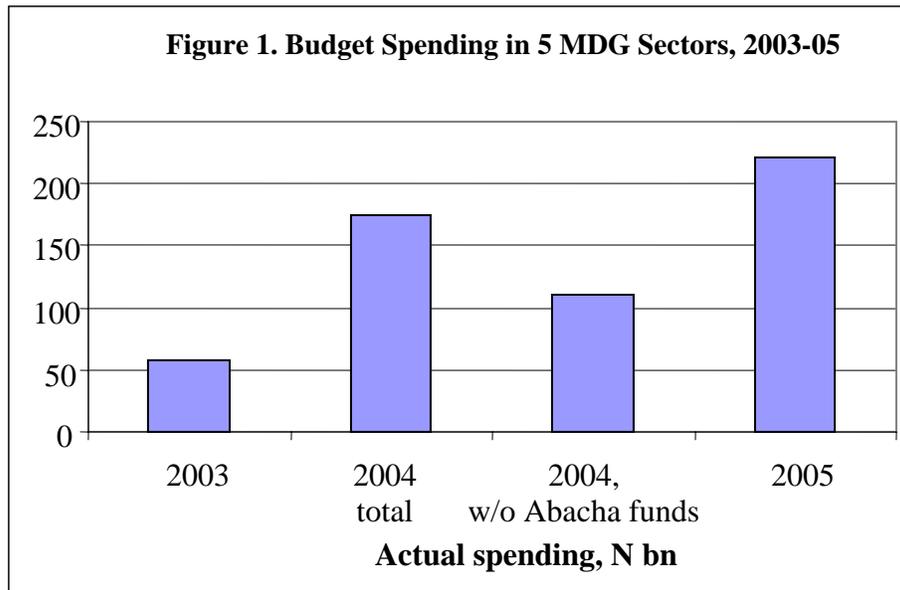
<sup>1</sup> The last small transfer of \$5.2 mn was made in August 2006.

were effectively utilized for achieving the government's development goals. The report has not sought to substitute for a regular government audit of its budget spending.

The monitoring and analysis of repatriated fund utilization was undertaken at two levels: a) macro – through analysis of general budget expenditure trends, and b) micro – through a field survey of randomly selected projects, funded under this budget program.

### UTILIZATION OF FUNDS IN THE GOVERNMENT CAPITAL BUDGETS

An analysis of actual federal budget spending in five MDG sectors for 2003-05 suggests a considerable increase in the 2004 capital expenditure relative to its 2003 level (Figure 1). A significant portion of this increase could be attributed to additional funds, made available under the repatriation program. Moreover, the trend of rapid expansion in budget spending in these sectors was sustained in 2005. Spending increased in all five sectors.



The following Table presents the data on actual allocation of recovered funds across the five sectors, which utilized repatriated Abacha funds, and main programs within these sectors. The data was compiled based on the full list of projects covered by the program. The Table allows a comparison with the preliminary information on sectoral allocation of funds, as provided in the FMF's letter of January 9, 2005.

### UTILIZATION OF REPATRIATED ABACHA FUNDS

No.	Sector	Allocation, based on preliminary information (NGN bn)	Funds Accounted for via Projects List (NGN bn)
1.	Power o/w: Rural Electrification Power Generation	21.70	21.94 8.10 13.84
2.	Works Priority Economic Roads	18.60	17.06
3.	Health o/w: Primary Health Care Vaccination Programs	10.83	10.84 2.02 8.82
4.	Basic and Secondary Education o/w: Primary Schools Junior Secondary Schools Federal Govt Colleges	7.74	7.79 3.16 3.40 1.23
5.	Water Potable Water & Rural Irrigation	6.20	7.53
<b>TOTALS</b>		<b>65.07</b>	<b>65.16</b>

### CHALLENGES IN MONITORING THE UTILIZATION OF FUNDS

It is important to highlight three main challenges, which were encountered in the course of monitoring the utilization of recovered Abacha funds. First, these resources were treated as part of general budget resources and not distinguished in anyway from other budget spending. Increased allocations to various spending agencies were therefore not clearly labeled in the budget as coming from the repatriated 'Abacha loot'. Indeed, it was only after spending had begun that the FGN and Swiss officials agreed on funds monitoring and tracking. In many instances, government field officials and similarly project beneficiaries were unaware of the source of the funds. This approach meant that use of these resources could not be rigorously/clearly tracked. Since then, the Government has put in place a mechanism, including appropriate budget coding for tracking the use of resources released by the recent debt deal with the Paris Club, through the creation of a Virtual Poverty Fund. This will make it easier for Nigerians to see how debt relief gains are being used.

Given strong interest in proper utilization of repatriated funds, in future cases of repatriation of stolen assets recipient governments may want to respond to this interest and put in place

a monitoring mechanism to help demonstrate that returned funds are used to benefit ordinary citizens.

Secondly, although the Abacha loot was actually repatriated to the Nigerian treasury in 2005 and 2006, spending of the looted funds began as part of the 2004 budget. However, due to incomplete utilization of appropriated funds in 2004, some spending by implementing agencies was actually undertaken as part of their 2005 capital budget.

Thirdly, there were a number of instances in which spending agencies used their share of the Abacha loot to either defray outstanding contractor arrears or to make partial payments for ongoing multi-year projects. Therefore, there were cases where projects had been completed prior to 2004, but were subsequently paid for using Abacha looted funds (e.g. in classroom projects); or instances where projects were still incomplete at the time of the survey, although part of the projects costs had been paid for using repatriated Abacha funds (e.g. in some rural electrification projects).

### **SUMMARY OF THE FIELD MONITORING EXERCISE**

The purpose of the project survey was to do a random verification of these spending by visiting project sites and interviewing major project stakeholders. The field visits were conducted by the joint teams representing both federal government agencies and Nigerian Civil Society Organizations (CSOs). The list of projects to be visited was selected from the detailed list of projects covered by the program provided to the team by the government.<sup>2</sup> Overall, 51 projects were visited in May-June 2006. The main findings from the survey could be summarized as following.

1. The projects under review were distributed across all of the 5 priority sectors. They were also spread across all 6 geo-political zones of Nigeria, were at various stages of completion, and with contract sums ranging from less than N1 mn to over N1 bn.

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<sup>2</sup> By the time of survey, the team received an incomplete list of projects funded under the program. The random sample of projects included in the field exercise was drawn from this initial list.

2. In all, 168 persons were interviewed. Of the 168, 60 were in the category contractor/Supervisor/Architect/Govt Rep/LG Staff, i.e. in the service provider side, whilst 102 were in the category end user/community member/leader, i.e. in the beneficiary side, and 6 were in the CSO category.
3. 51 out of 59 service providers and 60 out of 92 service beneficiaries interviewed acknowledged wide consultation with various stakeholders during project design. While not an objective of the study, one inference from the responses received is the absence of formal institutional arrangements for ensuring effective participation of beneficiaries in project selection and design.
4. A total of 18 Local Government Officials were interviewed. It appears that the existing institutional framework, in particular communication and coordination mechanisms, need further strengthening to ensure constructive participation of the Local Government Officials from the beneficiary communities in project selection and design.
5. Of the 51 projects reviewed, 23 were described as “completed”, 26 were at various stages of completion, and 2 were described as “abandoned”. All 23 completed projects were described as functioning, with varying levels of utilization. 6 out of 8 health centers reviewed were not completed. The survey results also suggest that about 11 out of 51 (or 21%) of projects reviewed, were said to have been completed before 2004. In particular, 4 out of 8 power projects reviewed appear to have been completed before 2004. This reference to the pre-2004 completion date could be explained by the fact that the repatriated funds were partially used by the government to pay contractors for their earlier completed but not fully paid work. However, the field monitoring team did not have an opportunity to verify this claim because in most cases contact information for contractors was not available.
6. Consistent with the fact that the program expenditures were utilized as part of general budget and not clearly coded in sector budgets, there appears to be little recognition of this source of funding by survey respondents. Only 4 out of 168

respondents identified the source of project funding as “Abacha Looted Funds”. Better publicizing of the source of funding for the projects could have helped demonstrate to Nigerians that the corrupt would not be left to enjoy the proceeds of ill-gotten wealth and that the rightful owners of the funds are indeed the people of Nigeria.

### **STRENGTHENING FISCAL MANAGEMENT ARRANGEMENTS**

Since 2003 the federal government has made significant effort to strengthen its public finance management (PFM) arrangements. However, the survey confirmed that ongoing reforms in the areas of fiscal control, accountability, and budget transparency need to be accelerated. Specific areas that need attention include:

- Strengthening MDA capacity for production of adequate budget execution reports and building adequate databases on their project portfolio
- Expansion of information on actual budget spending available through the website of the Federal Ministry of Finance
- Better disclosure of project information at the community level
- Strengthening institutional arrangements to support public participation in the budget process

## **1. STUDY BACKGROUND**

The World Bank with cooperation of the Federal Ministry of Finance of Nigeria undertook the preparation of the Nigeria Public Expenditure Management and Financial Accountability Review (PEMFAR). The core objective of the PEMFAR is to advise the Government (federal and participating states) on (i) how to better focus and sequence its PFM including procurement reform agenda within a broader economic reform framework, and (ii) directions and instruments of restructuring its expenditure patterns on both macro and sectoral levels. The PEMFAR also aims to inform international partners on how they could provide more efficient support for the PFM reforms in Nigeria by identifying the main bottlenecks within the existing budget reform process.

Within the framework of the PEMFAR preparation, the Nigerian and Swiss Governments, as well as the World Bank came to the agreement on analysis of additional budget expenditures funded as a part of 2004 budget from the resources repatriated to Nigeria from Switzerland (so called “Abacha funds”). In particular, it was agreed that the PEMFAR team will review the actual utilization of these funds against the established NEEDS priorities and report to both Nigerian public and the Swiss counterparts on main findings. As a part of the earlier agreements, the Government of Switzerland provided the World Bank with a grant of about \$280,000 to co-finance the preparation of the PEMFAR, including analysis of use of repatriation funds and related training.

Since the Nigerian Government was expecting the repatriation of the looted funds in 2004, it undertook actual financing of the additional expenditure items through domestic borrowing (since the return of money from Switzerland was delayed) as a part of 2004 annual budget execution. The money was released for financing of specific investment projects in core MDG sectors, including education, health, and basic infrastructure (power, roads, and water). The PEMFAR team agreed to undertake a random monitoring of actual progress with financing/implementation of these projects on the ground. As agreed, a special effort

was made to engage representatives of the civil society in this monitoring exercise. The World Bank, in consultation with the Ministry of Finance, contracted a team from Integrity, a Nigerian Civil Society Organization, to prepare and administer the field monitoring survey of selected projects.

The team developed the plan for the survey which included site visits to about 50 randomly selected investment projects from the government project list. This was undertaken by a specially trained monitoring team, each including 2 members (one from civil society and one from the government). Each team was expected to visit 5 projects. The whole assignment required 10 teams/20 individuals capable of undertaking a professional field work and reporting. This was the first monitoring exercise of this type for Nigeria, and its experience is important for future government efforts to strengthen monitoring and reporting arrangements within the budget system.

The Government was represented by staff of Ministry of Finance and five MDAs utilizing repatriated Abacha funds, namely Power, Health, Works, Water and Education. The representatives of civil society were selected during World Bank consultations with Nigerian and Swiss NGOs. The full list of participants and their respective organizations are presented in Tables 1 and 2.

**Table 1. Field Monitors Representing the Federal Government**

No.	FIELD MONITORS	AGENCY
1.	Qty. Surveyor A. Olufisayo	Federal Ministry of Health
2.	Engr. I. Ifeora	Federal Ministry of Water Resources
3.	Engr. A. Adebisi	Federal Ministry of Power & Steel
4.	Qty, Surveyor A. O. Ekun	Federal Ministry of Works
5.	Engr. Musa Mohammed	Federal Ministry of Education
6.	Mr. A. M. Adesina	Federal Ministry of Finance
7.	Mr. G.C. Nwichi	Federal Ministry of Finance
8.	Mr. M. Kala	Federal Ministry of Finance
9.	Mr. P.A. Akinfemide	Federal Ministry of Finance
10.	Mr. S. I. Onyema	Federal Ministry of Finance

**Table 2. Field Monitors Representing the Civil Society Organizations (CSOs)<sup>3</sup>**

No.	FIELD MONITORS	ORGANISATION
1.	Alhaji Mohammed L. Salisu	Even Development Projects
2.	Mr. Tijah Bolton-Akpan <sup>4</sup>	Gender & Development Action (GADA)
3.	Engineer Mnena Shija	Nigeria Society of Engineers
4.	Mr. Ehimigbai Ohio	Institute of Chartered Accountants of Nigeria
5.	Mr. Barisuatam N. Deeyah	Movement for the survival of Ogoni People (MOSOP)
6.	Mrs. Mimidoo Achakpa	Women's Right to Education
7.	Mr. Ifeoma Madueke	Action Aid International
8.	Mr. Emeka Ononamadu	Community Action for Popular Participation (CAPP)
9.	Mr. John Onyeuku <sup>5</sup>	Concerned Professionals
10.	Mr. Auwal Musa Rafsanjani	Civil Society Legislative Advocacy Center

<sup>3</sup> CSO involvement in the process is co-funded by the Heinrich Böll Foundation.

<sup>4</sup> Represented by Mr. Chike Nwosu in the first field trip.

<sup>5</sup> Represented by Mr. Apollos Nwafor of ANEEJ in the first field trip.

## **2. RELATED FISCAL AND POLICY DEVELOPMENTS**

According to the Federal Ministry of Finance, a major objective of the 2004 budget was to target investments in specific sectors that could help improve social indicators in the country and assist in progress towards achievement of the Millennium Development Goals (MDGs) by the target date of 2015. Thus spending was targeted at such sectors as Health, Education, Water, Power and Roads in order to cause movement towards meeting the goals of eradicating extreme poverty & hunger, achieving universal primary education, promoting gender equality and empowering women, reducing child mortality, improve maternal health, combating HIV/AIDS, malaria and other diseases, ensuring environmental sustainability, and developing a global partnership for development.

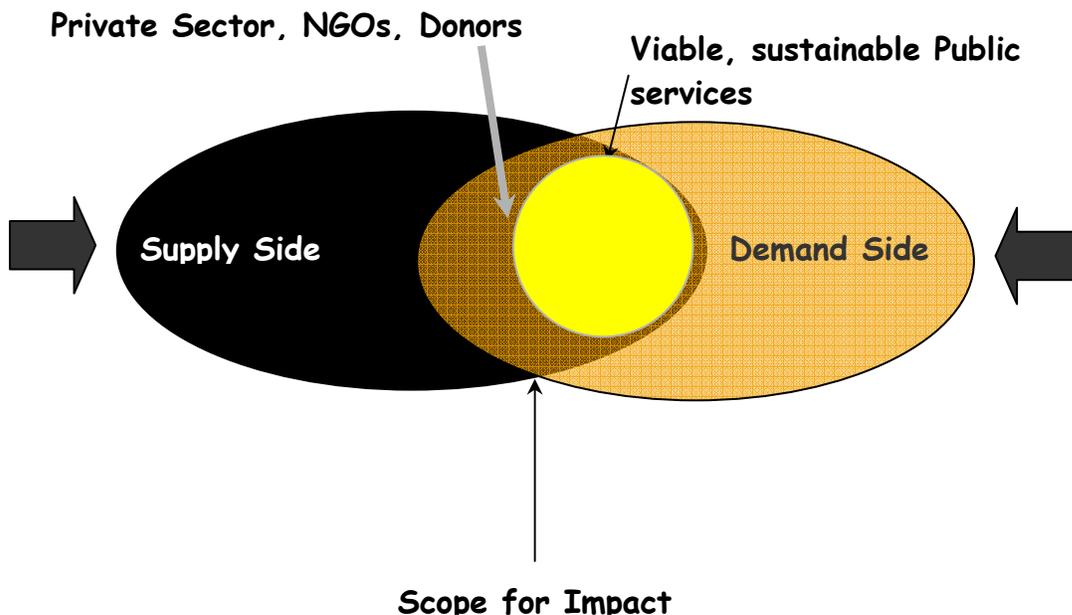
The Government of Nigeria's comprehensive reform and development program NEEDS (the National Economic Empowerment and Development Strategy) has three main pillars: reforming government and its institutions to improve service delivery; growing the private sector to increase incomes and employment; and implementing a social charter for the people. In addition, NEEDS is based on re-orientation of the people with an enduring, African value-system including honesty, integrity and a sense of community.

The goals and objectives of the 2004 budget were set up clearly. It was supported by a leaning towards "good" governance and underpinned by a well defined strategy outlined in the NEEDS. The 2004 budget, however, needs to be further examined in the light of the concept of public accountability depicted schematically below (Figure 2).



In order for there to be useful inquiry into the use of the returned Abacha loot, it is also important to stress the concept of effective and efficient service delivery. This is what the NEEDS strategy on “reforming government and its institutions” entails. In defining a “good” government as one ... whose primary aim is to create and sustain improvements in the standard of living of the people in ways that reduce disparities in income and well-being between different groups in society whilst keeping the needs of future generations in mind, we imply that a “good” government is effective and efficient in the delivery of public services. In other words, the services delivered by such a government make a relevant, tangible, positive and sustainable impact on the lives of the citizens. For there to be scope for impact, there has to be sufficient overlap between the services that government believes it ought to be providing<sup>6</sup> and what the people believe they actually need to improve their standard of living and general sense of wellbeing (Figure 3). Within that scope, for the people to believe they have received relevant, tangible, positive and sustainable impacts of government, such services would need to be appropriate, accessible, affordable, and available at the right levels of quality, sufficiently utilized and maintained – factors which seek to describe the utility of the service delivered.

**Figure 3. Factors that influence efficiency of public service delivery**



<sup>6</sup> Whether directly or in partnership with NGOs, Private Sector or Development Partners.

For that reason, the Federal Ministry of Finance has begun to reform its budgeting process to better focus it on improvements in service delivery by developing a Medium Term Expenditure Framework (MTEF) and Medium Term Sector Strategies (MTSS). Further upgrading of accountability arrangements is also needed to support such a change.

This PEMFAR field monitoring exercise is the first budget monitoring exercise jointly conducted by government and CSO representatives. The survey program included a workshop for participants from both sides to ensure a common understanding of the concepts, procedures and techniques resulting in a shared vision of survey tasks, processes and expected outcomes.

### **3. ANALYSIS OF MAIN EXPENDITURE AGGREGATES**

#### ***TRANSFER OF FUNDS***

Analysis of the data provided by the Central Bank of Nigeria (CBN) and the Swiss Ministry of Justice indicates the following timing and amounts for actual transferring of restituted funds (Table 3). The Federal government has opened a special US dollar account for recovered funds with the Bank for International Settlements in Basel, to which, in line with the respective court decision, the Swiss Government made various transfers of Abacha loot. The actual repatriation took place in two tranches -- in September and November of 2005 (US\$461.3 mn) and in January, March, and August of 2006 (\$44.1 mn). Thus, the total amount received by the Federal Government of Nigeria was equivalent to \$505.5 mn. Switzerland is the first country to repatriate to Nigeria funds looted by the earlier military administrations.

**Table 3. Data on repatriation of Abacha loot, as reported by Swiss and Nigerian authorities, as of end October 2006, USD thousand**

		Swiss Gov	CBN
2005, 1	Sept	281,788.7	281,788.7
2005, 2	Nov	179,571.7	179,571.6
2005	Total	461,360.4	461,360.3
2006	Q1	38,892.7	38,922.5
Grand total 1, 2005-06		500,253.1	500,282.8
2006	August		5,236.6
Grand total 2, 2005-06		500,253.1	505,519.4
pre-2005			50,511.7
	Accumulated Interest		13,185.7
	Total Inflows		569,216.8
2006	April Financing of 2005 budget deficit		556,540.8
	Balance as of end Oct 2006		12,676.0

Source: CBN, Swiss Ministry of Justice

The data on inflows of recovered funds are broadly identical. There is one material discrepancy, for which the team does not have an explanation<sup>7</sup>:

- The data reported by the Swiss authorities does not contain a reference to the very last small transfer (\$5.2 mn) of funds made in August of 2006

Overall, the CBN records<sup>8</sup> indicated that the Nigerian authorities acknowledged a receipt of the amount of recovered funds, which is somewhat larger than the amount reported by the Swiss government.

Furthermore, the CBN report suggests that the Government used all these repatriated money in April of 2006 as source of 2005 budget deficit financing.<sup>9</sup> The execution of 2005

<sup>7</sup> In addition, CBN records show a somewhat larger amount (by about \$30 thousand) for the transfer received in January 2006, which could be a result of exchange rate differences.

<sup>8</sup> Report on transactions reflected in the FGN F3 (USD) Recovered Funds Account with the Bank for International Settlements in Basle for the period between 1/1/2005 and 10/31/2006.

capital budget was expanded through June of 2006, and the FMF did finance a significant portion of its 2005 investment program in the early part of 2006. Apparently, the repatriated funds were directed to co-financing of this capital expenditure and balancing the 2005 budget.

The decision on actual utilization of repatriated inflows for 2005 deficit financing was fully in line with the fact that FMF de facto pre-financed this program back in 2004 and early 2005 through domestic borrowing made as part of its 2004 budget. Most actual spending of N65 bn on the projects selected under the program was disbursed in late 2004 and early 2005, i.e. during the period when most 2004 budget capital spending was released. In addition, a smaller portion of funds was released as part of 2005 budget because of the incomplete utilization of 2004 budget appropriations (average utilization ratio for 2004 capital budget program was 90%, but with a considerable variation across sectors and programs).

Thus, because of delays with the restitution relative to originally indicated timetable, actual spending by the Nigerian Government happened well before the actual transfers of recovered funds took place (the 1<sup>st</sup> tranche – September 2005). Respectively, after actual repatriation took place, the recovered funds were used by the FGN for general deficit financing (i.e. it helped the FMF to repay its earlier domestic borrowing).

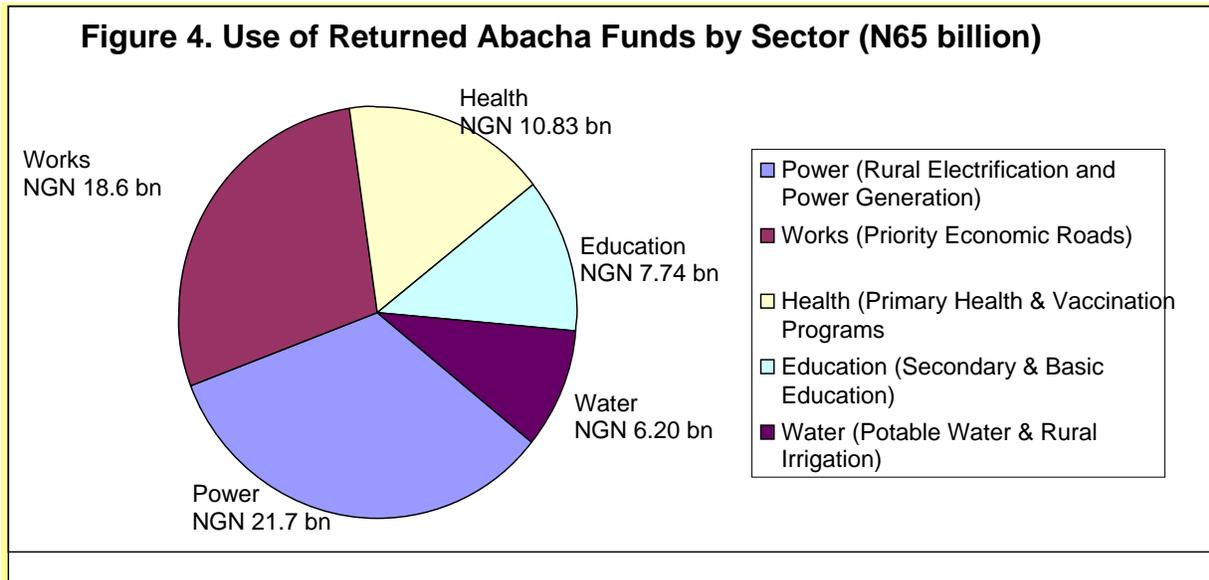
#### ***UTILIZATION OF FUNDS***

In a letter to the Ambassador of Switzerland to Nigeria dated January 9, 2005 the Federal Ministry of Finance (FMF) explained that the US\$500m (NGN 65 billion) of Abacha Looted Funds was programmed into and utilized in the 2004 budget. The FMF further clarified that, in line with its economic reform program (and NEEDS), the Government increased its outlays to the key MDG sectors in the 2004 budget. A major objective of the budget was to target specific sectors that could assist the country in progress with achievement of the

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<sup>9</sup> The CBN records also show additional amount of recovered funds (about \$50 mn) received before 2005 (i.e. before the respective court decision), which were deposited with the same special account and used jointly with more recent transfers for budget deficit financing. Analysis of the pre-2005 transfers was outside of the scope of this monitoring exercise.

Millennium Development Goals (MDGs). These sectors include Health, Education, Water, Electricity and Roads and it was commonly understood that repatriated Abacha funds would be spent within these 5 sectors, mostly on new and ongoing investment projects. The letter also disclosed the allocation of funds across these 5 sectors as shown in Figure 4.



Tables 4-6 show the dynamics of federal capital budget spending on 5 MDG sectors, which were the beneficiaries of funds recovered under the program. The data reveals a major increase in actual budget capital spending on these sectors between 2003 and 2004, from N57.6 bn to N175.1 bn. The recovered funds under the program in the amount of N65 bn helped to make a significant contribution to this increase, but it is worth mentioning that the overall increase in federal government spending in these five sectors was larger than the amount of returned Abacha loot. Moreover, this expenditure trend continued into 2005: spending on those priority sectors further increased to N221.3 bn, reflecting both improved government fiscal position and strong commitment to achieving objectives spelled out in the NEEDS.

Actual spending (reflected in numbers on capital budget utilization) shows noticeable increases for all five priority sectors (Figure 5). The most significant increases in absolute terms were observed for the power and works (roads) sectors. Increases, when measured as percentages, were also very significant in both health and education.

Table 4. 2003 Capital Budget Appropriation and Spending in Five MDG Sectors

No.	Sector	Approved Budget (NGN) Billion	Amount Released (NGN) Billion	Amount Utilised (NGN) Billion
1.	Power & Steel	55.59	5.21	5.21
2.	Works & Housing	76.77	27.68	27.68
3.	Health	25.44	4.45	4.45
4.	Education	17.47	0.81	0.81
5.	Water	45.00	19.46	19.46
	<b>TOTALS</b>	<b>220.27</b>	<b>57.61</b>	<b>57.61</b>

Table 5. 2004 Capital Budget Appropriation and Spending in Five MDG Sectors<sup>10</sup>

No.	Sector	Approved Budget (NGN) Billion	Amount Released (NGN) Billion	Amount Utilised (NGN) Billion	Abacha Funds (NGN) Billion	Utilized less Abacha Funds (NGN)Billion
1.	Power & Steel	54.62	54.62	54.49	21.94	32.55
2.	Works	46.61	46.61	42.58	17.06	25.52
3.	Health	26.41	26.41	23.68	10.84	12.84
4.	Education	21.55	21.62	19.33	7.79	11.52
5.	Water	37.50	37.50	35.06	7.53	27.53
	<b>TOTALS</b>	<b>186.69</b>	<b>181.11</b>	<b>175.14</b>	<b>65.16</b>	<b>109.98</b>

Table 6. 2005 Capital Budget Appropriation and Spending in Five MDG sectors

No.	Sector	Approved Budget (NGN) Billion	Amount Released (NGN) Billion	Amount Utilised (NGN) Billion
1.	Power & Steel	91.15	71.89	70.31
2.	Roads	87.95	68.95	68.95
3.	Health	21.65	22.19	20.47
4.	Education, a/	27.44	21.35	16.09
5.	Water	70.32	53.64	45.51
	<b>TOTALS</b>	<b>298.51</b>	<b>238.02</b>	<b>221.33</b>

Source: FMF.

a/ Reflects only the Federal Ministry of Education. In 2005, the federal budget additionally provided financing for the Universal Basic Education (UBE) program in the amount of NGN24.25 bn to support basic education throughout the country. This amount was fully disbursed and fully utilized.

<sup>10</sup> It should be noted that where the funds were spent on consumable items like vaccinations etc. a direct comparison with the capital budget data may not be appropriate, but relatively a small part of program funds was used for recurrent spending.

It is also important to note that in Nigeria, as in some other developing countries, approved government budgets are often not fully utilized during the fiscal year. This results from such factors as late approval of the budget by legislature, delays in the release of funds by the treasury, and also from inadequate project implementation capacity of relevant government departments. As a consequence, the calendar for implementing federal government budgets is often extended beyond the end of normal fiscal year. Low utilization rates imply that spending on many government capital projects often overflows into the following years and financed from several consecutive annual budgets. For example, within the analyzed program, the National Program of Immunization (NPI) utilized about N3.7 bn for the purchase of vaccines in 2004, while the rest of its vaccine procurement (N1.5 bn) was made in 2005.

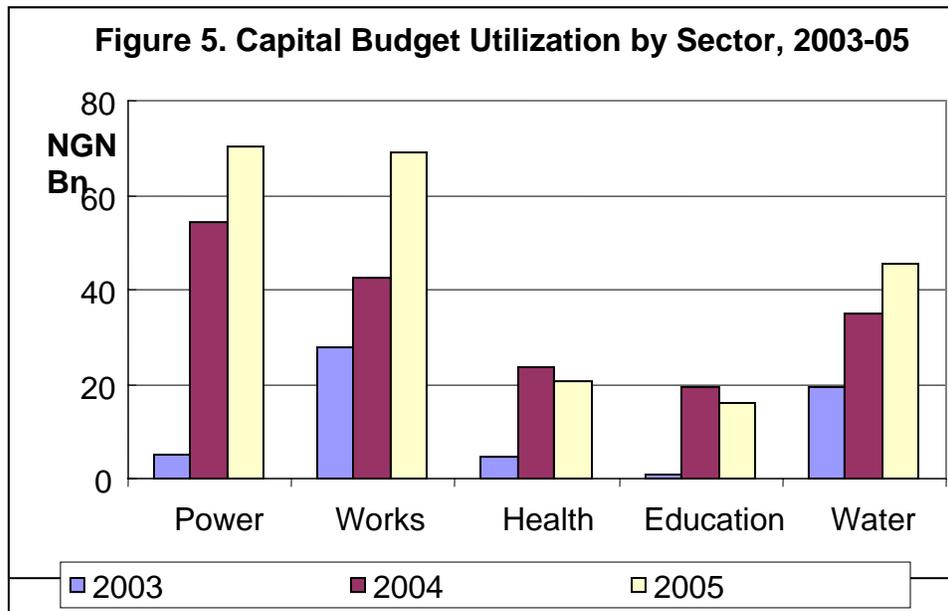


Table 7 below reflects the actual utilization of recovered funds under the program based on analysis of the full list of projects that received program financing. Table 7 provides additional details on major programs within 5 MDG sectors that benefited from the repatriated 'Abacha Loot'. It is worth noting that the final utilization of funds, as follows

from the project-by-project analysis, was broadly consistent with the preliminary information provided by the FMF in the letter of January 9, 2005<sup>11</sup> (which is reflected in Figure 4).

**Table 7. Allocation of Recovered Abacha Funds by sector and major programs**

No.	Sector	Allocation, based on preliminary information (NGN bn)	Funds Accounted for via Projects List (NGN bn)
1.	Power o/w: Rural Electrification Power Generation	21.70	21.94 8.10 13.84
2.	Works Priority Economic Roads	18.60	17.06
3.	Health o/w: Primary Health Care Vaccination Programs	10.83	10.84 2.02 8.82
4.	Basic and Secondary Education o/w: Primary Schools Junior Secondary Schools Federal Govt Colleges	7.74	7.79 3.16 3.40 1.23
5.	Water Potable Water & Rural Irrigation	6.20	7.53
<b>TOTALS</b>		<b>65.07</b>	<b>65.16</b>

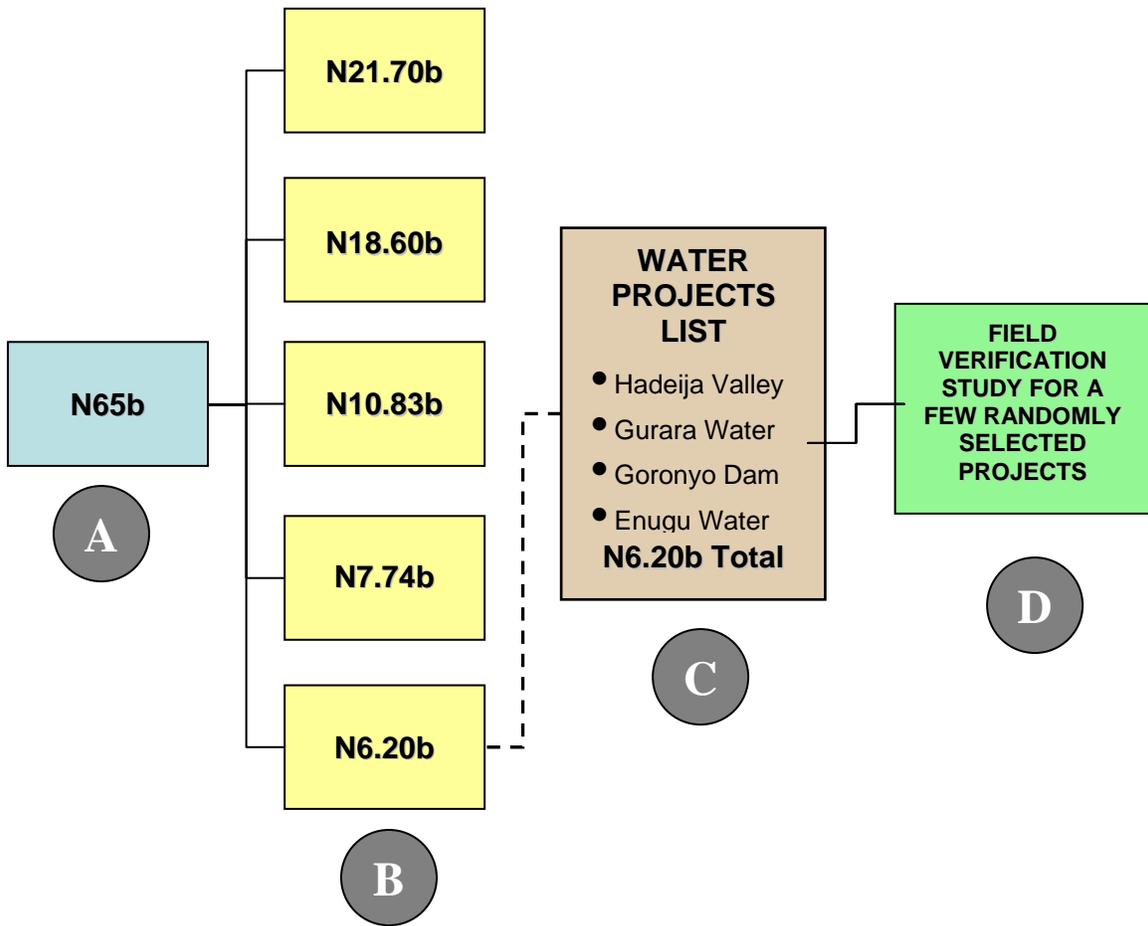
Source: FMF, MDAs

<sup>11</sup> The water sector utilized slightly more funds than it was originally indicated, while the allocation to the works/roads sector was somewhat lower.

### 4. FIELD SURVEY CONCEPT

The Field Survey concept could be summarized in the 4 following steps (Figure 6):

Figure 6. Four Main Steps in Developing the Field Survey Concept



A. We have found sufficient documentary evidence (through exchange of correspondence between FMF and Government of Switzerland, agreements between World Bank Country Office, Nigeria and the Government of Switzerland, local and international press articles) to confirm the repatriation of NGN65billion (US\$500m).

- B. From the detailed explanations attached to the letter of FMF to the Government of Switzerland, we recorded the government plan with respect to allocation of the recovered funds across five priority sectors.
- C. To better understand how the funds were used, we obtained the lists of projects included in the program for each sector and the amounts spent on them from the recovered funds. For example, a breakdown of the expenditure by project, provided by the Ministry of Water Resources, helped specify that the sector actually received N7.53 bn and clarify how money was spent at the sectoral level.
- D. Because the projects are numerous and are spread across the entire geography of Nigeria, due to budget constraints it was not considered advisable to attempt a review of each and every one in order to get an idea of quality/impact of program spending. It was agreed that a review of a random sample would be sufficient. A sample size of 50 projects was suggested by the World Bank. The monitors agreed<sup>12</sup> that information needed to properly describe each project would include identification and location data, some idea of the rationale behind the project and how it was conceptualized, how associated contracts were awarded, and what monitoring and evaluation processes were in place to ensure impact. Some information was therefore supposed to be collected via a desk study and certain aspects confirmed during a field monitoring exercise. The aspects included in the field survey covered confirmation of identification and location data, some project selection and design information – especially levels of stakeholder participation in the process, confirmation of project status and gathering of information to give an idea of project impact from the viewpoint of both service providers and service beneficiaries.

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<sup>12</sup> At a pre-survey workshop for participants.

### ***PROJECT SURVEY LISTS***

The full list of projects obtained is given in Appendix IV. From that master project list, a sample was drawn for field review by the researchers in consultation with the World Bank, without interference from either the CSO/government monitors or any other government officials.

Delays were experienced during this monitoring exercise due to difficulties in obtaining full project list from MDAs. Participating MDAs experienced difficulties in completing their respective sectoral lists and in providing other relevant information on program administration. Several MDAs complained about the inability to distinguish between projects funded from the regular 2004 budget and those funded from Abacha loot. This was partly because when the budget funds were released, the proportion that came under the returned Abacha loot program was not specifically indicated in the budget documents.

As a result of the delays, by the time of survey, the team compiled only an initial list of projects funded under the program. The random sample of projects included in the field exercise was drawn from this initial list. Moreover, information about many projects submitted for this initial list did not include proper budget expenditure data. As a result, the projects on the initial list accounted for N26.73 billion of the N65 billion received (41% of the total). The full project list was subsequently compiled later in 2006.

In order to outline very clearly what sort of information the team needed on each project, an information template (Appendix I) was provided and discussed at several meetings, some of which were facilitated by the World Bank Country Office in Abuja. Problems with collecting project-related information at the MDA level could be attributed to several factors:

- Weak PFM capacity of MDAs, including under-developed reporting and accounting standards, and absence of properly set-up databases for sectoral project portfolios;
- Lack of specificity with respect to monitoring arrangements/requirements in the agreement between Nigerian and Swiss governments regarding funds repatriation. Indeed, the FMF made its public commitment to monitor the use of recovered funds

only after these funds were budgeted and mostly disbursed, which greatly reduced opportunities for setting proper tracking and monitoring arrangements. This was compounded by weak administrative capacity in the FMF to monitor these funds.

### ***PROJECT SELECTION CRITERIA***

Weighting: As 77% (by value) of the total spending was on Roads, Power and Health sectors our selection of projects followed this same pattern with about 77% of the selected projects being from those same sectors. The remaining projects were drawn from the Water and Education sectors.

1. Geo-political location. It was thought necessary to obtain a sample that would cover all geo-political zones of Nigeria.
2. Proximity to other projects. Due to tight budgetary constraints, it was necessary to select projects in clusters to minimize travel and number of days required in the field.
3. State of completion. It was thought necessary to review both completed and uncompleted projects.

### ***PROJECT SELECTION PROCESS***

The objective of the survey was to review a minimum of 50 randomly selected projects. Project selection process was based on the following principles:

- First 3 of the largest road and bridge projects (from the portfolio of projects supplied by the Ministry of Works) in each geo-political zone were picked.
- Next project choices were slightly adjusted based on proximity to one another.
- Then Power and Health projects were selected, 3 for each geo-political zone, closest to the Roads projects selected.
- Next all four water projects were selected irrespective of their location relative to the roads projects (but tried to minimize travel effort).

- Finally school projects close to the cluster of projects already selected were chosen in order to make a total of about 72 projects. This was to give a number of redundant selected projects that field monitors could choose from in case they encountered problems with the projects chosen for them.

The list of projects chosen for field monitoring is given in Appendix V. South-West and North-Central zones were assigned one review team each, while other zones had two teams each. There were a total of 10 teams covering 6 geo-political areas, with each team comprised of one Government official and one CSO participant from the Nigeria Network on Stolen Assets.<sup>13</sup>

The survey sample did not maintain projects from some project groups that were originally indicated in the government letter of January 9, 2005, such as projects/activities related to HIV/AIDS prevention and control, procurement of vaccines, adult and nomadic education, and school feeding program. No projects in these categories were presented in the initial project list available before the survey started.

The field monitoring exercise occurred in two parts: field visits were done in the first week of May 2006, and also in the third and fourth weeks of June 2006.

### ***WORKSHOP FOR FIELD MONITORS***

A 2-day workshop was designed and delivered to provide monitors with core skills needed to undertake the field work successfully. It included lecturing and discussions on the nature of budget monitoring in general and specifically in Nigeria, surveying and interviewing techniques, and detailed discussions on how to conduct the field monitoring exercise. Details of the workshop agenda are provided in Appendix II. The survey questionnaire developed for the exercise is also included in Appendix III.

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<sup>13</sup> The rationale for this was that in both South-West and North-Central, access and travel is relatively easy and the spread of projects can easily be covered by one team each. In the other parts, travel is a lot more difficult and two teams each seemed justified.

## 5. FIELD STUDY RESULTS

### *GENERAL OBSERVATIONS FROM THE PROJECT SURVEY*

1. The survey design was to have as many respondents on the service provider side as there were on the service beneficiary side, i.e. to achieve a 1:1 ratio<sup>14</sup>. Perhaps due to some of the administrative difficulties described by CSO participants, the actual ratio was approximately 1:2. Any direct beneficiary of the project was sought out by field monitors and interviewed.
2. There should have been a minimum of 4 respondents interviewed per project. Therefore, for the 51 projects reviewed, there should have been a minimum of 204 respondents as opposed to the 168 respondents actually interviewed. 88 out of 168 were interviewed by the government field team member and the result was countersigned by the CSO field team member. 80 out of 168 were interviewed by the CSO field team member and the result was countersigned by the government field team member.
3. Only five interviews were with contractors. We would have preferred more contractors to be interviewed in order to obtain independent confirmation of amounts spent on individual projects, and record their comments on project status. It would appear that in general, detailed contract information of contractors, besides their postal addresses, is not kept readily to hand by the MDAs.
4. During the field visits it was relatively difficult to speak to service providers as the “letters of accreditation” needed to introduce the field teams had not been prepared by various government departments before the first round of the survey. Only the Federal Ministry of Education had provided such letters on time. However, other government departments provided the accreditation letters during the team’s second round of field visits.

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<sup>14</sup> This is an arbitrary ratio. It was thought to be prudent to do this given the broad mix of constituencies grouped under “service provider” and under “service beneficiary”. Respondents were to be chosen at random within each broad category and therefore it seemed right not to tilt the mix towards either side in the quest for balance.

5. Some interview forms were also not properly filled. A meeting with all the field monitors was held before the second round of field visits to discuss once again the questions involved, to obtain feedback on the difficulties experienced, and to clarify any outstanding issues. There was no real improvement, however, in the quality of the field reports at the end of the second round. This observation may need to be weighed against the comments made by some of the monitors suggesting a general reluctance of government officials in the field to talk, sometimes requesting for additional authorizations from the line ministries.
6. At the end of the exercise, 10 out of 20 monitors were additionally polled to assess their personal experiences during the survey. All 10 monitors participated in the poll “agree”/”strongly agree” that this sort of monitoring exercise is valuable and should be done again in the future. Of that number 4 were CSO monitors and 6 were government monitors. When asked if they would get involved in this sort of monitoring exercise again if asked, all 10 said “Yes”.
7. 9 out of 10 field monitors polled by the team “agree”/”strongly agree” that CSO’s have a valuable role to play in budget monitoring. Of that number 4 were CSO monitors and 5 were government monitors. 9 out of 10 field monitors polled “agree”/”strongly agree” that this sort of monitoring approach should be institutionalized and applied to all government projects. Of that number 4 were CSO monitors and 5 were government monitors.
8. Conducting the survey also proved to be rather expensive. This reflects relatively high costs of traveling in Nigeria and long delay times in few cases (related to the difficulties to locate proper respondents and their reluctance to participate).

### ***FIELD TRIP RESULTS BY SECTOR***

#### **(a) EDUCATION**

1. 18 Projects Reviewed in the field. 15 out of 18 were to do with physical infrastructure.
2. All 6 Geo-political Zones were covered.
3. 63 Respondents interviewed, 35 out of 67 were interviewed by the government field team member and result countersigned by the CSO field team member. 32 out of 67 were interviewed by the CSO field team member and the result countersigned by the government field team member.
4. Of the 63, 19 were in the category contractor/Supervisor/Architect/Govt Rep/LG Staff whilst 43 were in the category end user/community member/leader.
5. 17 out of 19 service providers interviewed acknowledged wide consultation with various stakeholders during project design. When asked why they were sure there was adequate consultation, answers ranged from PTA involvement in identification of needs to community involvement in monitoring / maintenance of facilities.
6. 14 out of 43 service beneficiaries either “didn’t know”, or did not express an opinion, or didn’t seem to understand<sup>15</sup> the question regarding the extent of consultation of stakeholders in the process of project design. 29 out of 43 service beneficiaries, who expressed an opinion that there was consultation, justified it because either the project arose through a direct “request” made by the community or because the community “chose” the site and provided the land or because the community “formed committees” to monitor/maintain the infrastructure created.
7. The local government (LG) Executive Secretary for Education interviewed claimed not to have been included in any of the processes around project selection and design.

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<sup>15</sup> Meaning that responses given bore no relevance to the question asked

8. Of the 18 projects reviewed, 8 were described as “completed”, 9 were described to be at various stages of completion, whilst 1 was described as “abandoned”.
9. 8 out of 8 completed projects were described by the respondents as having “100%” utilization levels. However, when asked “are there potential problems for effective and efficient utilization?”, (of the 29 respondents interviewed over the 8 completed projects) 16 responded “No”/”Don’t Know” and 13 responded “Yes”. Of the 13 “Yes” responses, 3 questioned the “Usefulness” of the project on the grounds that desks/chairs were not provided for the classrooms, another 3 questioned “Usefulness” on the basis that there was inadequate staffing, 5 questioned “Quality” and 2 questioned “Suitability” of what was delivered.
10. 29 respondents reacting to the 8 projects reported as “completed” and having “100% utilization levels” were asked if in their opinion there was “a scheme in place to ensure proper on-going maintenance and sustainability of what the initial project has delivered?” 9 of 29 said “No” or “Don’t Know” or declined to comment whilst 20 of 29 said “Yes”. Of the 20 that responded positively, 12 felt such a scheme covered the physical infrastructure. There was no agreement over other items such as equipment, spare parts, requisite staffing levels or consumable items.
11. When asked to hazard a guess at how much the government had spent on the project under review, 47 of 63 responded “Don’t Know” and 15 of 63 made a guess. 8 of 8 who guessed, “guessed” the exact contract sum give or take a few Nairas. These included a Head Girl, Supervising Architect, Headmistress, Project Supervisor, Government Representative, End User, Community Member and a Principal. However, 2 out of that 8 responded “Don’t Know” to the source of the funds question and 5 out of that 8 reported the projects they were commenting on to be between “30% and 65%” complete.

**(b) POWER**

1. 10 Projects reviewed. All 10 pertained to physical electrical installations.
2. All 6 Geo-political Zones were covered.

3. 25 respondents were interviewed in all. 14 out of 25 were interviewed by the government team member and result countersigned by the CSO team member. 11 out of 25 were interviewed by the CSO field team member and the result countersigned by the government field team member.
4. Of the 25, 12 were in the category contractor/Supervisor/Architect/Govt Rep/LG Staff, whilst 13 were in the category end user/community member/leader.
5. 12 out of 12 service providers interviewed claimed wide consultation with various stakeholders during the project design. When asked why they were sure there was adequate consultation, answers ranged from community assistance in determining cable routes, equitable positioning of transformers, advice in relocating project when beneficiary village relocated, providing security for materials.
6. 12 out of 13 service beneficiaries stated that there was consultation because the project arose through a direct “request” made by the community or because the community “helped to map” the route for cables and identified where poles could be erected or because the service providers “performed the project” the pre-agreed way.
7. The LG Executive Secretary interviewed was also an indigene of the beneficiary town. He is reported to have claimed that the LG paid out a monthly allowance to maintain and guard the power lines. He is also reported to have claimed that the traditional rulers and community members helped to resolve the conflict between members of local communities and contractors wishing to cut trees during the project implementation.
8. 8 out of 10 projects reviewed were described as “completed”. However 5 out of 10 projects were reported to have been completed before 2004, the year in which Abacha funds were budgeted for. In the one project, a field monitor (from the government side) added a footnote to state that the project under review though completed in 2002 had some extensions done to it in 2004. On one of the projects, a

representative of the Power Holding Company of Nigeria confirmed that it was completed in 2003, whilst a traditional ruler in the beneficiary location puts completion in 2004<sup>16</sup>.

9. 7 out of 10 completed projects were described by the respondents as having “100%” utilization levels. However, when asked “are there potential problems for effective and efficient utilization?” (of the 25 respondents interviewed over the 10 completed projects), 6 responded “No”/”Don’t Know” and 19 responded “Yes”. Of the 19 “Yes” responses, 3 questioned the “Suitability” citing inadequately sized equipment, other 9 questioned issues ranging from “Affordability, Quality, Accessibility, to Awareness and Usefulness”.
  
10. The 20 respondents reacting to the 9 projects reported as “completed” and having “100% utilization levels” were asked if in their opinion there was “a scheme in place to ensure proper on-going maintenance and sustainability of what the initial project has delivered?” 14 out of 20 said “Yes”. There would appear to be an agreement that security of the physical installation, equipment and spares are covered in the view of respondents.
  
11. When asked to hazard a guess at how much the government had spent on the project under review, 18 out of 25 responded “Don’t Know” and 7 out of 25 made a guess. 3 of 3 who guessed “guessed” the exact contract sum and these were a Project Engineer from Federal Ministry of Works, a Supervising Engineer, and a Supervisor from Power Holding Company of Nigeria.

**(c) ROADS**

1. 13 Projects reviewed. All 13 pertained to roads, bridges or roads and bridges.

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<sup>16</sup> These findings were discussed with representative of the MDA concerned and other government participants. Possible explanations were advanced amongst which was that in many cases, though projects may have been completed before 2004, retention amounts could have been settled in 2004 from the repatriated funds. That being the case, field observations would show completion before 2004, however there may still have been further expenditure in that year. The team was not able to locate documentary evidence from the government in the case of such projects that can support this argument, inclusive of further interviews with the contractors involved.

2. The projects were located in the North-East, North-West, South-East, South-South, South-West, North-Central geo-political zones of Nigeria.
3. 44 respondents were interviewed in all. 25 out of 44 were interviewed by the government field team member and result countersigned by the CSO field team member. 19 out of 44 were interviewed by the CSO field team member and the result countersigned by the government field team member.
4. Of the 44, 21 were in the category contractor/Supervisor/Architect/Govt Rep/LG Staff whilst 23 were in the category end user/community member/leader. 3 LG officials were interviewed.
5. 20 out of 22 service providers interviewed acknowledged consultation with various stakeholders was done during project design. When asked why they were sure there was adequate consultation, answers describe how “local and state government requested the assistance on behalf of the people” due to “the hardship caused to their socio-economic activities” by the poor infrastructure.
6. 12 out of 22 service beneficiaries either didn’t know or did not express an opinion or didn’t seem to understand the question regarding the extent of consultation with stakeholders in the process of project design. 5 out of 22 service beneficiaries who expressed an opinion that there was consultation because the project arose as a result of “complaints” the communities had been making for years.
7. Of the 13 projects reviewed, 9 were described to be in various stages of completion, whilst 4 were described as “completed”. The 7 uncompleted projects had start dates of 2005, 2004, 2003, and 2002. Of the 4 completed projects, 1 was completed in 2003 and 1 out of 4 respondents interviewed for the other claimed it was completed in 2003 though the others say 2004.

8. 3 out of 4 completed projects were described by the respondents as having “100%” utilization levels. Respondents were divided on the other project and estimated utilization levels to be “65%, 75%, 95% or 100%”. However, when asked “are there potential problems for effective and efficient utilization?”, (of the 14 respondents interviewed over the 4 completed projects) 14 out of 14 responded “No”/”Don’t Know”.
9. The 14 respondents reacting to the 4 projects reported as “completed” were asked if in their opinion there was “a scheme in place to ensure proper on-going maintenance and sustainability of what the initial project has delivered?” 5 out of 14 said “No”, “Don’t Know” or declined to comment, whilst 9 out of 14 said “Yes”. Of the 9 that responded positively, 9 out of 9 felt such a scheme covered only the physical infrastructure and not operational costs.
10. When asked to hazard a guess at how much the government had spent on the project under review, 28 out of 44 responded “Don’t Know” and 16 out of 44 made a guess. 5 out of 16 who guessed “guessed” the exact contract sum give or take a few Nairas. These were a Federal Controller of Works, a Project Engineer, and 3 Project Supervisors. The 2 community members who guessed a figure 70% of the contract sum, guessed the same exact round figure sum even though one felt it was financed by State Government and the other by Federal Government. However, 1 out of that 12 who responded “Don’t Know” to the source of the funds question was able to give an exact figure for the project sum. The 4 respondents who were able to guess a contract sum commented on 3 projects, one of which was described as only 15% complete.

**(d) HEALTH**

1. 8 Projects were reviewed. All 8 pertained to physical infrastructure for primary health care centers.
2. The projects were located in the North-East, South-East, South-West, South-South, North-West and North-Central geo-political zones of Nigeria.

3. 31 respondents were interviewed in all. 15 out of 31 were interviewed by the government field team member and result countersigned by the CSO field team member. 16 out of 31 were interviewed by the CSO field team member and the result countersigned by the government field team member.
4. Of the 31, 17 were in the category contractor/Supervisor/Architect/Govt Rep/LG Staff, whilst 14 were in the category end user/community member/leader. 4 Local Government Officers were interviewed. One of them is reported to have claimed that he led the project team to the community at the start of the project.
5. 16 out of 17 service providers interviewed claimed consultation with various stakeholders was done during project design. When asked why they were sure there was adequate consultation, answers describe “centrality” of the site of the health center, “provision of land” for the project by the community, and previous “requests” by the community for a health center as evidence that there was adequate consultation.
6. 4 out of 13 service beneficiaries either didn’t know did not express an opinion or didn’t seem to understand the question regarding the extent of consultation of stakeholders in the process of project design. 9 out of 13 service beneficiaries who expressed an opinion that there was consultation justified it because the land on which the health centers are built were donated by the community, and because the project meets a real need in the community.
7. Of the 8 projects reviewed, 2 were described as completed and 6 were described to be in various stages of completion. 1 project was started in 2004, whilst 7 were started in 2005. According to the letter written to the Ambassador of Switzerland to Nigeria by the Hon. Minister of Finance, as at January 9, 2005, of the 174

health centers built with Abacha Looted funds, 138 were fully functional and the remaining 36 were expected to be commissioned in January 2005<sup>17</sup>.

8. All health centers reviewed were in use.
9. 5 out of 8 projects were said to be experiencing delays with completion. According to the 16 respondents interviewed about the 8 projects, the reasons for the delay ranged from “disputes with the community”, “poor site access”, “unseriousness of the contractor” to “tardy release of funds”.
10. When asked to hazard a guess at how much the government had spent on the project under review, 24 out of 31 responded “Don’t Know” and 11 out of 31 made a guess. The one who guessed “guessed” a sum of N5.8 million. It is interesting to note that this respondent was the spokesperson for the contractor. It is also worth noting that the actual project sum given in the list from the Ministry of Health for that project is N16.6 million.

**(e) WATER**

1. 4 Projects were reviewed. Projects ranged from land irrigation to actual water supply and a dam.
2. The projects were located in the North-East, South-East, North-West and North-Central geo-political zones of Nigeria.
3. 18 respondents were interviewed in all. 14 out of 18 were interviewed by the government field team member and result countersigned by the CSO field team member. 4 out of 18 were interviewed by the CSO field team member and the result countersigned by the government field team member.

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<sup>17</sup> These findings were discussed with representative of the MDA concerned and other government participants. Possible explanations were advanced amongst which was that the project list given to the team, from where the field monitoring sample was drawn, only covered health centers started in 2005. Reasons for this action were not given however.

4. Of the 18, 12 were in the category contractor/Supervisor/Architect/Govt Rep/LG Staff, whilst 6 were in the category end user/community member/leader. 3 Local Government Officers were interviewed.
5. 10 out of 12 service providers interviewed acknowledged consultation with various stakeholders done during project design. When asked why they were sure there was adequate consultation, answers describe, “provision of land” for the project by the community, employment and security services.
6. 6 out of 6 service beneficiaries either didn’t know or did not express an opinion or didn’t seem to understand the question regarding the extent of consultation of stakeholders in the process of project design.
8. Of the 4 projects reviewed, 3 were described as completed and 1 was described as being ongoing. 1 Project was said to have been completed in 2003 (Hadejia Valley Irrigation project).
10. When asked to hazard a guess at how much the government had spent on the project under review, 11 of 18 responded “Don’t Know” and 7 of 18 made a guess.

## 6. CONCLUSIONS

1. This joint monitoring exercise, to the best of the knowledge of the team, is the first of its kind in Nigeria<sup>18</sup>. The difficulties reported are not surprising. However, as a process, it has been largely successful - with both government and civil society participants acknowledging that they have found it valuable.
2. There is evidence that effort is being made by the Federal Government of Nigeria to spread development projects under the reviewed program across all geo-political zones of the country.
3. The survey revealed that all sample projects exist and can be located on the ground. Most of the projects were completed, and more than half were initiated after some degree of local consultations. Moreover, for most completed projects, respondents believed in financial sustainability of their operations.
4. However, there is considerable variation in the quality of project portfolios across the MDAs. Relatively more problems were observed in health and road sectors in terms of timely project completion. The Ministries of Health, Education and Power were the least responsive in terms of timely production of the full lists of their projects implemented under the program.
5. Although approved capital budgets dipped by 15% overall for the 5 sectors under review between 2003 and 2004, actual utilization was up by about 3 times. Utilized capital budgets for the 5 sectors rose by further 26% between 2004 and 2005.

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<sup>18</sup> Budget monitoring is typically conducted by special units within the government. As claimed by CSO representatives participating in this monitoring, civil society has traditionally attempted an independent review, but was often hindered by restricted access to information and general non-cooperation of government officials.

Allocation of the Abacha funds generally reflected the budget priorities of the government in 2004 as underpinned by NEEDS.

6. The government decided to execute the Program funded with the looted funds as a part of its regular budget. No special arrangements were made for project selection and monitoring. Given the weakness of general budget reporting systems at the moment, this decision greatly undermined the opportunity for tracking the returned Abacha funds and analysis of their utilization. However, it should be noted that the legal agreements that govern the return of the Abacha funds to Nigeria did not provide for any special budget execution arrangements. They neither requested the FGN to publicize which projects benefited from this money. It is a conclusion of this report that many of the problems identified in the survey flow from this general observation. This has resulted in MDAs not being able to distinguish (ex post) between general capital releases and releases specifically obtained from recovered funds.
  
7. At the same time, report findings clearly indicate significant weakness in budget accounting and reporting at the MDA level, such as e.g. MDAs do not produce comprehensive budget execution reports and the MOF does not have information about actual budget spending on a project-by-project basis. This fundamentally undermines possibilities for efficient budget supervision and control. In particular, it was not possible, for the bulk of the projects on the lists provided by the MDAs, to independently verify from contractors how much money they actually received on the projects in 2004. This is because the MDAs were mostly unable to provide the addresses of their contractors. Additionally, the MDAs did not provide any systematic information on specific timing of commissioning the projects. As a result, the completion dates were assessed on the basis of respondents' responses.

8. 23% of projects listed amongst the beneficiary projects were said to have been completed before 2004<sup>19</sup>. Some listed as completed and functioning were found to still be in progress.
9. Consistent with the fact that the recovered funds were not distinguished from the rest of 2004 budget spending, the monitoring survey revealed little public awareness of the program. 98% of respondents did not know that the projects under review benefited from recovered Abacha looted funds. Creating greater awareness of this program – the sources of funding, and progress in implementation -- the could have helped the government raise the profile of its anti-corruption drive and demonstrate clearly to Nigerians the benefits from good utilization of the repatriated funds.

## **7. RECOMMENDATIONS**

1. As execution of the 2004 budget had already begun before the government agreed to monitoring of funds recovered from the Abacha loot, it was very difficult for the government to establish a clear tracking mechanism for this program. To increase chances for efficient monitoring in future similar programs, it would be advisable to agree upfront on special project selection and monitoring arrangements. The Government decision on utilization of Debt Relief gains (Paris Club deal) presents a good example of such specially designed monitoring arrangements. In this case, the Federal Government has instituted a Virtual Poverty Fund, called OPEN (Oversight of Public Expenditures in NEEDS) to track utilization of debt relief gains in the budget and intends to publish regular reports on implementation progress.
2. Since 2003, the government has paid significant attention to sharing budgetary information with the public. Approved budgets and in some cases details of releases

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<sup>19</sup> As mentioned above, the likely explanation to this is that recovered funds were used to pay the outstanding debts to contractors for the work completed earlier.

are shared via the website of the Federal Ministry of Finance and through other media. Comprehensiveness, timeliness, accuracy, and usefulness of what is shared could be further improved upon to enhance fiscal transparency.

3. The authors acknowledge the efforts being made by government to address weak capacity and systems in the budget process. Such efforts impact on human capacity but also include Budget and Treasury Management Information Systems and payment and accounting systems such as the planned Integrated Personnel and Payroll Information System (IPPIS) and the Government Integrated Financial Management Information System (GIFMIS). These activities need to be fast tracked and deployed system wide in order to address shortcomings in the area of control and accountability.
4. In order to ensure achievement of planned budgetary outcomes, the government is encouraged to not only improve fiscal transparency, control and accountability systems, but also to work out an institutional arrangement that will permit greater participation and public debate/engagement (not only in monitoring and evaluation, but also in other aspects of the budget process, particularly processes leading to the establishment of budget priorities).
5. The government should continue its efforts to improve budget transparency and accountability. The MDA capacity for production of adequate budget execution reports also needs to be significantly improved. The government agencies need to have adequate databases on their project portfolios with sufficient information on costs of projects undertaken, sources of their funding, timing of major project events, information on contractors and payments to them.
6. At the community level, the government could disclose more project information to local stakeholders with respect to project budgets, sources of funds, completion dates, and contractor information.

## **APPENDIX I: INFORMATION TEMPLATE TO MDAS**

### 1. GENERAL PROJECT IDENTIFICATION

- a. Sector
- b. Contract Sum on Contract Documents
- c. Location
  - i. Geo-political Zone
  - ii. State
  - iii. Local Government
  - iv. Nearest Town
- d. Project Title
- e. Detailed Project Description
  - i. Type of Infrastructure (e.g. Building, Road, Bridge, Supplies, Electrical Installation, etc.)
- f. Project Key Persons
  - i. Contractor Details
    1. Name
    2. Address
    3. Contact Information
  - ii. Contract Supervisor Details (MDA)
    1. Name
    2. Address
    3. Contact Information
  - iii. Contract Supervisor Details (Field)
    1. Name
    2. Address
    3. Contact Information

## 1. PROJECT CONCEPTUALIZATION DETAILS

- g. Statement of Guiding Philosophy for Application of Looted Funds in Sector
- h. Alignment to Govt. strategic and sectoral priorities (MDGs, NEEDS, SEEDS, LEEDS as appropriate – Evidenced by presence in Appropriation Act)
- i. Statement of Project Objectives
- j. Project Selection Criteria
  - i. Alternatives Considered
  - ii. Evidence to show that baseline data or needs assessment informed policy and project decision
    - 1. Was a technical and economic appraisal of the project carried out (as evidenced by feasibility study, financial/economic studies)?
  - iii. Evidence of attendance at participatory forum/ fora, and of criteria for selecting representatives from any or a combination (as appropriate) of the following groups
    - 1. Community Members and Leaders
    - 2. Traditional Leaders
    - 3. Professionals and Press
    - 4. Private Sector
    - 5. Civil Society Organizations (NGOs, CBOs, FBO, etc.)
    - 6. State and Local Government EXCO and/or House of Assembly Members
    - 7. Development Partners/Donors
  - iv. Evidence of involvement of state and local government in the project decision (inter-governmental relations)
  - v. Evidence that inputs from 2.4.2 above are reflected in the final project decision

## 2. PROJECT AWARD PROCESS DETAILS

- k. Ascertain if project was in the budget (what year?) and where its funding was to derive from
  - i. Indicate whether there was appropriation for the project in main or supplementary appropriation acts and also indicate when funds were released to the executing agency's account
  - ii. Was the budget over a medium term?
  - iii. How much budget was expended on project before its inclusion into the Returned Loot Program?
    - 1. Was such sum under RLP sufficient to complete the project?
- l. Was Project & Consultant/Engineer's estimate obtained?
  - i. Is project sum in line with consultant/engineer's estimate?
- m. Was an environmental Impact Assessment necessary?
  - i. Was it done?
- n. What procurement process was followed?
- o. Is there a signed contract in place?
  - i. Tenor of contract
  - ii. Stages of Contract and dates
  - iii. Payment Schedule
  - iv. Performance Bond/ Advance Payment Guaranty/ Other security obtained?
  - v. Payment conditions
- p. Ascertain that all conditions were complied with
  - i. Ascertain what official waivers were granted where conditions were not complied with
- q. Ascertain if there exist project cost overruns
  - i. Ascertain how project cost overrun was negotiated and funded
  - ii. Evidence of all relevant approvals for supplementary budget where there were cost overruns

### 3. PROJECT MONITORING AND EVALUATION DETAILS

- r. When was project started? (original/revised? If revised, why?)
- s. Project Completion date (original/revised? If revised, why?)
- t. Current Project state of completion (In execution, Completed, Functioning)
- u. Evidence of existence of technical progress reports (showing work completion and compliance with contract)
  - i. Name of Author / Authors
  - ii. MDA
  - iii. Contact Details
  - iv. Ascertain the nature and cause of any delays to the project completion, and steps taken to prevent re-occurrence
- v. Evidence of existence of financial progress reports (showing payments certified, made and outstanding)
  - i. Name of Author/Authors
  - ii. MDA
  - iii. Contact Details
- w. Evidence of Feedback mechanism to measure citizen's satisfaction
  - i. Evidence that issues arising through the feedback mechanism are addressed
  - ii. Evidence of value-for-money evaluation of project on an on-going basis by both government and community
    - 1. Sustainability
      - a. Evidence of a scheme in place to ensure on-going maintenance of (physical infrastructure and equipment, staffing levels needed for effective functioning, consumable items and spares etc.)
    - 2. Utilization Levels (planned versus actual)
      - a. What are potential problems for efficient utilization (if any)? Demand issues like Accessibility, Affordability, Suitability, Quality etc.

## **APPENDIX II: WORKSHOP FOR FIELD MONITORS (AGENDA & PARTICIPANTS)**

### **BUDGET MONITORING WORKSHOP**

#### **DAY 1**

#### **CONCEPTS AND FUNDAMENTALS**

**9H00 – 10H00**

**SESSION 1:**

UNDERSTANDING OF DEMOCRACY AND GOOD GOVERNANCE

- FUNDAMENTAL HUMAN RIGHTS
- THE PRINCIPLE OF GOOD GOVERNANCE
- LINK BETWEEN GOOD GOVERNANCE & DEMOCRACY
- WHAT IS CORRUPTION?
- THE DRIVERS OF CORRUPTION IN NIGERIA
- PUBLIC ACCOUNTABILITY & DEALING WITH CORRUPTION

**10H00 – 10H30**

**TEA / COFFEE BREAK**

**10H30 – 11H30**

**SESSION 2:**

ROLE OF BUDGETING IN GOOD GOVERNANCE AND ACCOUNTABILITY

- POLICY & BUDGET PRIORITIES
- MDGs, NEEDS, SEEDS, FEEDS, LEEDS
- SERVICE DELIVERY
- THE BUDGET CYCLE IN NIGERIA

**11H30 – 12H30**

**SESSION 3:**

ROLE OF MEDIA AND ACCESS TO INFORMATION IN BUDGETING, ACCOUNTABILITY AND SERVICE DELIVERY

- BUDGET REPORTING
- PUBLIC ACCESS TO INFORMATION AND MONITORING
- WEAKNESSES OF SUCH MECHANISMS IN NIGERIA
- LINKAGES TO CORRUPTION

**12H30 – 13H00**

**WRAP UP OF MORNING SESSIONS**

- SUMMARY OF KEY MESSAGES

**13H00 – 14H00**

**LUNCH**

## **BUDGET MONITORING WORKSHOP**

<b>14H00 – 15H00</b>	<b>SESSION 4:</b> <b>BUDGET ANALYSIS</b> <ul style="list-style-type: none"> <li>• RATIONALE</li> <li>• METHODS</li> </ul>
<b>15H00 – 15H30</b>	<b>TEA/COFFEE BREAK</b>
<b>15H30 – 16H30</b>	<b>SESSION 5:</b> <b>BUDGET MONITORING ON THE LEVEL OF</b> <ul style="list-style-type: none"> <li>• TASKS</li> <li>• PROCESSES</li> <li>• OUTCOMES</li> </ul>
<b>16H30 – 17H30</b>	<b>SESSION 6:</b> <b>BUDGET ADVOCACY</b> <ul style="list-style-type: none"> <li>• POLICY PRIORITIES</li> <li>• BUDGET PRIORITIES</li> <li>• METHODS &amp; TECHNIQUES</li> </ul>
<b>17H30 – 18H00</b>	<b>WRAP UP OF AFTERNOON SESSION</b> <ul style="list-style-type: none"> <li>• SUMMARY OF KEY MESSAGES</li> </ul>
<b>19H00 – 21H00</b>	<b>DINNER</b>
<b><u>DAY 2</u></b>	<b><u>FIELD WORK</u></b>
<b>09H00 – 10H00</b>	<b>SESSION 7:</b> <b>TASK BRIEFING</b> <ul style="list-style-type: none"> <li>• BACKGROUND</li> <li>• MATERIALS</li> <li>• PROJECT</li> <li>• PROJECT SELECTION</li> <li>• LOCATION</li> </ul>
<b>10H00 – 10H30</b>	<b>TEA/COFFEE BREAK</b>
<b>10H30 – 11H30</b>	<b>SESSION 8:</b> <b>FIELD PROCESSES</b> <ul style="list-style-type: none"> <li>• QUESTIONNAIRE</li> </ul>

- ADMINISTRATION
- LOGISTICS
- TIME
- TARGETS

**11H30 – 12H30**

**SESSION 9:**

**EXPECTED OUTCOMES**

- REPORTS
- TEMPLATE
- HOW TO REPORT
- WHAT TO REPORT

**12H30 – 13H00**

**LUNCH/DEPARTURE**

## WORKSHOP PARTICIPANTS LIST

No	Name	Organization
1	Barisuatam N Deeyeh	Movement for the survival of the Ogoni People (MOSOP)
2	Alhaji Mohammed L Salisu	Even Development Projects (EDP)
3	Mimidoo Achkpa	Women's Right to Education Programme
4	Auwal Musa Rafanjani	Civil Society Legislative Advocacy Centre (CISLAC)
5	Clement Wusah	Community Action for Popular Participation (CAPP)
6	Ehimigbai Ohio	Institute of Chartered Accountants of Nigeria
7	Engineer Nnena Shija	Nigerian Society of Engineers (NSE)
8	Titus Mann	Civil Liberty Organisation (CLO)
9	Eze Onyekpere	Budget Transparency Network
10	John Onyenewu	Concerned Professionals
11	Mohammed G.Wyo	Borno Coalition for Democracy Progress (BOCODEP)
12	Dauda Garuba	Centre for Democracy and Development (CDD)
13	Ifeoma Madueke	Action Aid International
14	Funmi Alaka	Centre for Democracy and Development (CDD)
15	David Ugolor	African Network for Environmental and Economic Justice
16	Wale Agbojo	Heinrich Böll Foundation
17	Engineer A Adebisi	Federal Ministry of Power and Steel
18	Engineer I G Ifeora	Federal Ministry of Water Resources
19	Musa Muhammad	Federal Ministry of Education
20	Akinkuade Olufisayo	Federal Ministry of Health
21	A.O. Ekun	Federal Ministry of Works
22	A.M. Adesina	Federal Ministry of Finance
23	G.C.Nwichi	Federal Ministry of Finance
24	M.Kala	Federal Ministry of Finance
25	P.A.Akinfemide	Federal Ministry of Finance
26	S.S.Onyema	Federal Ministry of Finance
27	Lev Freinkman	World Bank
28	Debola Babalola	World Bank
29	Otive Igbuzor	ActionAid
30	Edet	Media Rights Agenda
31	Soji Apampa	Integrity
32	Gabriel Aduda	Integrity
33	Oshuwa Gbadebo – Smith	Integrity
34	Tyra Idris	Integrity

## APPENDIX III: FIELD MONITORING QUESTIONNAIRE

Date: \_\_\_\_/\_\_\_\_/2006

Interviewer ID: \_\_\_\_\_

### A. PROJECT DETAILS

A.1 Sector:  Education  Health  Power  Water  Works

A.2 Type of Infrastructure:  Road  Bridge  Building  Electrical Installation

Other (Please Specify) \_\_\_\_\_

A.3 Project Title: \_\_\_\_\_

A.4 Geo-Political Zone: \_\_\_\_\_ A.5 State: \_\_\_\_\_

A.6 Local Government: \_\_\_\_\_ A.7 Nearest Town: \_\_\_\_\_

### B. RESPONDENT DETAILS

B.1 Surname: \_\_\_\_\_ B.2 First Name: \_\_\_\_\_ B.3 Initial: \_\_\_\_\_

B.4 Relationship to Project:  Supervisor  Engineer  Monitor  QS  
 Architect  CSO  Community Member/Leader  Traditional Ruler  
 End User  LG/SG officer  Other (Please Specify) \_\_\_\_\_

### C. PROJECT DESIGN

C.1 In choosing the project and its location I believe that at least the following parties were consulted:

- Technical Professionals     Local Government     State Government
- Local CSOs
- Community Members/Leaders     Traditional Rulers     End Users
- Donors

C.2 The reasons I am sure they were consulted are as follows \_\_\_\_\_

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C.3 Their input was reflected in final project design as follows \_\_\_\_\_

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**D. PROJECT STATUS**

D.1 Project Started in Year: \_\_\_\_\_ D.2 This was original start date?  Y  N  
 Don't Know

D.3 If not original date, why was start date changed? \_\_\_\_\_

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D.4 Project Status:  In Progress, \_\_\_\_\_% Complete     Functioning since Year:  
 \_\_\_\_\_

Completed in Year: \_\_\_\_\_ D.5 This was original finish date?  Y  N  
 Don't Know

D.6 If not original date, why was finish date changed? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

D.7 (In the opinion of this field monitoring team, the project Exists  Y  N and is approximately \_\_\_\_\_% complete).

D.8 Have there been delays on this project?  Y  N  Don't Know

D.9 What has been the primary source of delay on this project? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

D.10 What steps were taken to prevent recurrence of the delay? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**E. PROJECT IMPACT**

E.1 Is the satisfaction of citizens with this project being measured?  Y  N  
 Don't Know

E.2 If Yes, by whom and how?  Don't Know  
\_\_\_\_\_  
\_\_\_\_\_

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E.3 When issues that can impact the success of the project are uncovered through monitoring and evaluation activities, how does government ensure these issues are adequately addressed?

Don't Know

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E.4 Is value-for-money auditing of this project being done?  Y  N  Don't Know

E.5 If Yes, by whom and how?  Don't Know

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E.6 (Please ask only when project under review is complete and functioning.) Is there a scheme in place to ensure proper on-going maintenance and sustainability of what the initial project has delivered?  Y  N  Don't Know

E.7 If yes, which of the following items are covered in the scheme?  Physical Infrastructure  Equipment  Spare Parts  Requisite Staffing Levels  Consumables

Other (please Specify)

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E.8 In your view what is the current level of utilization? \_\_\_\_\_%.  Don't Know

E.9 Are there potential problems for effective & efficient utilization?  Y  N  
 Don't Know

E.10 If Yes, which category or categories fit the nature of the problem?

Affordability  Accessibility  Suitability  Quality  Usefulness  
 Awareness

E.11 Are you aware of the sources of funding for this project?  Y  N  Don't Know

E.12 If yes, please list a few of these sources: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

E.13 If you were to take a guess, about how much did government spend on this project?  Don't Know

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**F. SIGN OFF**

Interview was conducted by (team member 1):

F.1 Surname: \_\_\_\_\_ F.2 First Name: \_\_\_\_\_ F.3 Initial: \_\_\_\_\_

I am happy the interview was properly conducted (team member 2).

F.4 Surname: \_\_\_\_\_ F.5 First Name: \_\_\_\_\_ F.6 Initial: \_\_\_\_\_

**APPENDIX IV: FULL LIST OF PROJECTS**

**APPENDIX V: LIST OF PROJECTS SELECTED FOR  
MONITORING**