



Alfred Okoh  
Activity Manager, Indicator Lead  
[Alfred.Okoh@niafng.org](mailto:Alfred.Okoh@niafng.org)



David Storer  
Budget Adviser, Technical Lead  
[David.Storer@niafng.org](mailto:David.Storer@niafng.org)

## STRATEGY DRIVEN CAPITAL SPENDING PROJECT SCREENING FOR THE 2017-19 MTSS AND 2017 FEDERAL BUDGET

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### Executive Summary

- NIAF supported the Federal Government of Nigeria (FGN) through the Federal Ministry of Budget and National Planning (FMBNP) and the Budget Office of the Federation (BOF) in successfully developing Medium Term Sector Strategies (MTSS) and screening capital projects for federal ministries, departments and agencies (MDAs) to be entered into the 2017 Federal Budget.
- The MTSS process was last attempted in 2011, however with NIAF support, the FGN has been able to review and prioritise proposed capital projects in terms of their contribution to national development strategy.
- Nigeria's current capital expenditure programme includes many thousands of individual capital expenditure projects associated with several hundred MDAs. A high proportion are long delayed or stalled.
- Nigeria's capital investment needs far exceed available resources, especially following the fall in global oil prices. Better project selection, together with better programme execution, can deliver massive benefits.
- Despite uncertainty about whether government would be able to take forward the MTSS project screening process in preparation of the 2017 Federal Budget, NIAF was able to commit to investing several months of effort in developing methods and tools to support project prioritisation in Nigeria.
- As soon as FGN's decision on taking forward the MTSS became firm, NIAF moved quickly to mobilise a strong field team to support MDAs in carrying out the MTSS and project screening processes.

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### The Challenges

- Nigeria's inadequate infrastructure is a critical obstacle to economic development and poverty reduction.
- The burden of funding the huge capital investments needed to improve it will fall largely on government, whether at the state or at the federal level.



- Hard but wise choices have to be made about investment priorities because available public resources and administrative capacity both fall far short of what would be required to undertake every worthwhile project.



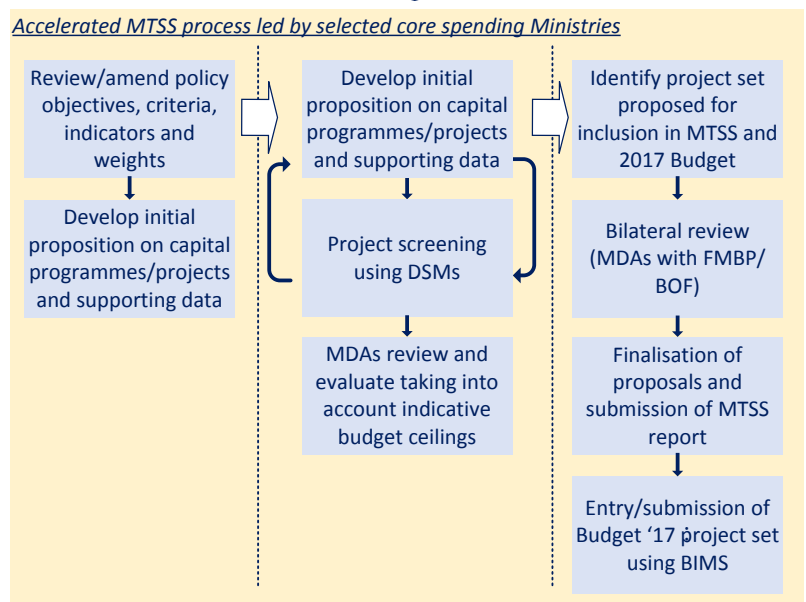
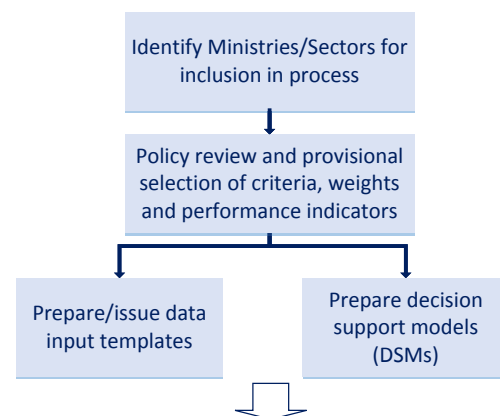
- The global economic crisis and, most especially, the drastic reduction in Nigeria's income from oil exports have made a difficult situation worse and greatly increased the importance of meeting the challenge of making better choices about government capital spending.
- The Federal Government aims to improve the link between government spending and policy priorities by using the MTSS budgetary instrument and by improving the extent and quality of project screening and selection.
- There is no tradition of formal option appraisal and capital

project evaluation in government, experience and expertise are thus lacking, while ministries and agencies are wary of the disruption and damage that could result from the introduction of inappropriate systems and processes.

- The sheer complexity and numbers of the projects to be screened presented a huge technical challenge.

## The NIAF Approach

- NIAF supported the FMBNP using multi-criteria analysis innovatively and efficiently allowing very large numbers of projects to be simultaneously evaluated in terms of expected contribution to national and sectoral strategic priorities.
- As well as qualitative aspects of project performance, the approach meant that value for money could be taken into account.
- NIAF developed highly automated project screening and prioritisation decision support models (DSMs) to support this process.
- NIAF support involved accelerating the process by completing fast sector policy reviews ahead of engagement with MDAs but combined this with the flexibility to change the criteria, indicators and weights that are the core of the DSMs quickly and responsively.



- The facility model was essential to NIAF’s ability to adapt rapidly to the changing needs of FGN champions operating in a fluid and uncertain institutional environment, and to be ready for and respond quickly to an emerging opportunity.
- The flexibility and breadth of goals associated with the facility model was key to NIAF’s ability and willingness to accept the risk of failure involved in investing substantial effort and resources before FGN’s firm commitment was clear. Risking failure was vital to achieving success.
- NIAF’s can do’ attitude and positive mindset—focused on helping ministries put forward better MTSS and budget submissions—was instrumental in getting MDA support for a challenging task.

## The Outcomes

- Over 10,000 projects were put through the screening process in preparation for the 2017 Federal Budget using the DSM tool, with approximately 2,000 projects withdrawn completely by MDAs during the course of the exercise.
- Over 8,500 projects were included in the final set of screened projects with a total value of N15.4 trillion (at full value including prior years’ spending) and a remaining cost to completion of N12.4 trillion (c. US\$49.8 billion and US\$40.1 billion respectively at the current CBN approved exchange rate).
- The total expenditure put forward for inclusion in the 2017 capital budget was N3.0 trillion (US\$9.7 billion). After screening and bilateral review meetings with the Federal Ministry of Budget and National Planning and Budget Office of the Federation, prioritised projects amounting in value to approximately 50-60% of this amount are expected to be included in the Executive’s budget submitted to the National Assembly.
- While much more can be done in future, the MTSS and capital project screening exercises for the preparation of the 2017 Federal Budget represented a huge step forward. The discipline and closer scrutiny that resulted from the screening process led to major changes to projects proposed both at the individual project level and at the programme level.

