

## **The Fuel subsidy savings trust plan.**

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Latest version available at <http://nonsoobikili.wordpress.com/the-plan/>

### **Introduction**

This is a simple plan to ensure that savings from the removal of fuel subsidies are used on capital projects. This plan is projected to run for 10 years. This plan is centered around three proposals. The first is separating the savings from the removal of fuel subsidies from the standard federal, state and local government budgets. The second is creating incentives for the utilization of funds set aside for capital projects. Third is enforcing transparency within the system to promote citizen monitoring. This plan should guarantee that savings from the removal of subsidies are spent directly on capital projects. This plan also provides incentives for transparency and accountability within the framework.

### **Section 1: Ring-fencing of funds.**

The basic idea is to directly separate the savings from the removal of fuel subsidies from the regular government budget. This will make it easier to monitor use of the savings directly. This will also make it easier to prevent the misuse of the funds on projects that are not direct investments in infrastructure or other capital projects. The funds will still be distributed to the federal, state and local governments based on the current revenue sharing formula. The separation of funds however will be done at every level of government. Funds will also be disbursed quarterly with the compliance conditions verified every quarter. Federal, state or local governments who fail to use the respective funds will have their allocations withheld for a year. Failure to use the funds for two consecutive years will result in the allocation for that particular government refunded to the main savings fund and redistributed to the three tiers of government according to the revenue sharing formula.

### **Section 2: Dispensing of funds**

Funds allocated to each level of government will be dispensed directly by a group separate from the government. These groups, at the federal and state level, will be saddled with the responsibility of disbursing funds directly to contractors based on fulfillment of certain pre-conditions. These groups will not make decisions on which projects to fund. The responsibility for choosing contracts still rests with the elected governments. The sole purpose of the disbursing groups will be to verify that all compliance conditions are met before funds are released. Funds will be disbursed quarterly on request with the various compliance conditions checked each time. Disbursements will be stopped for any government or contractor that doesn't comply with the previously agreed conditions. The conditions are as follows;

- 100% capital expenditure: All expenditure must be for capital projects.
- Competitive/Transparent Contract bidding: Bidding on all contracts must be transparent and consistent with a predetermined contract award process. The decisions on who to award contracts to and what projects to undertake will still be done by the government. The job of the disbursing group will be to disburse the funds directly to contractors after conditions for competitive and transparent bidding processes have been met.

- Strict time lines on projects: All projects must have strict time lines. Expected milestones for projects and completion dates must be submitted.
- Proof of progress: Contractors must also furnish proof, either in the form of pictures or videos, of the progress on contracts. This must be done monthly or quarterly depending on the expected duration of the contract.
- Contractors must not have any pending contracts more than three quarters late.

The various governments also need to comply with certain conditions annually to continue receiving funds from the ring-fenced subsidy savings funds.

- Spending Implementation: The federal, state and local governments must spend at least 90% of the funds allocated. Unspent funds will be held temporarily for one year. If a federal, state or local government does not spend the funds it will be placed back in the general pool and redistributed based on the revenue sharing formula. This is to ensure that the negative effect of the removal of fuel subsidies are relieved as quickly as possible.
- Consistent improvements in capital-recurrent ratios: The federal, state and local governments must annually improve the capital-recurrent expenditure ratio of their regular budgets by 2% each year. This condition will be dropped if the governments achieve 40% spending on capital projects. This condition is primarily to prevent governments from simply pushing their previously expected capital expenditure to the ring-fenced subsidy savings fund.
- Transparency for budgets: The federal, state and local governments must all commit to publishing their annual budgets. These budget must be made available to the publishing group who will publish it online.
- Transparency for Executive Remuneration: The federal, state and local governments must also all commit to publishing the remuneration of all political public office holders and top management of federal and state ministries. This is primarily to promote transparency.

### **Section 3: Monitoring**

The responsibility for monitoring the projects rests primarily with the citizenry. There are inbuilt incentives for governments to ensure that projects awarded are completed and for contractors to complete projects. However the plan also provides channels for citizens to physically verify and report potentially fraudulent projects. This will be made easier by publishing all contracts with locations, expected duration and proof of progress online. Citizens can then report potentially fraudulent projects to the contract investigation group. The investigation group will then have to investigate and provide documentary evidence on the existence and progress of the project under investigation.

### **Section 4: Dispute Resolution**

The dispute resolution group will be saddled with the responsibility for considering evidence provided by the reported parties and evidence provided by the investigation group. The group will then make a decision on the existence of a project based on the evidence provided.

## **Section 5: Administration.**

There are five main groups required for the implementation of this plan.

1. The chief group: This will be a group of three members saddled with the responsibility for signing disbursements to the various state trust groups. This group will also be saddled with the responsibility for disbursing funds to the winning contractors for federal government projects. The members should not be paid any direct benefits however they should be reimbursed for costs involved in their quarterly disbursements. All reimbursements must be based on receipts and must be paid either electronically or with registered cheques. (*I am not yet sure who should pay them but they should not be paid from the ring-fenced subsidy savings fund.*) This group will not be responsible for choosing which federal projects to fund or not. That responsibility still lies with the federal government. This group just disburses funds for winning projects that have fulfilled all the requirements and allocations to state groups whose state have fulfilled the conditions as well.
2. The state groups.: These will be groups of three members for each state. They will be saddled with the responsibility for disbursing funds to winning contractors for state and local government projects and forwarding all documentation to the publishing group. These groups will not be responsible for choosing which state or local government projects to fund. That responsibility is still with state and local governments. Their job is simply to ensure that all required conditions are met and to forward the conditions to the publishing house. The remuneration for the group will also mirror the chief group.
3. The investigation group: This group will consist of three members who will be charged with investigating potentially fraudulent projects. This group will be required to travel to the location of projects under investigation and collect evidence of projects. The group will submit all documentation to the dispute resolution group. Remuneration for members of the group will mirror the chief group.
4. The dispute resolution group. This group will be made up of five members. The group will be responsible for considering all evidence provided by the different parties and the investigation group. This groups will determine the existence/completion of the project under question. All sittings for consideration must be published two weeks in advance and must be open to the public. Remuneration for members of the group will mirror the chief group.
5. The publishing group. This group will be saddled with the responsibility for publishing all documentation online. The group will be structured as a nonprofit organization and will be funded by donations from the public. The group will be required to publish proof of quarterly disbursements to the chief group and the state groups. The group will also publish proof of disbursement for contracts as well other documentation associated with the contracts. The group will also publish the remuneration of elected officials as required in the conditions for the plan as well as remuneration for other members of the various groups. The group will also be responsible for providing a platform for citizens to report proof of projects or suspected fraudulent projects.

## **Conclusion.**

This plan is designed to ensure 100% investment of the savings from the fuel subsidy are spent on capital projects. The plan ensures that the decision making powers of elected officials are not usurped. It however promotes transparency in the use of funds from the savings. The plan also provides a platform for citizens to monitor the entire process and report potentially fraudulent projects. The plan includes inbuilt incentives for the federal, state and local governments to adhere to the agreement. It also ensures competition in the contract awarding process and provides incentives for contractors to complete projects.

This plan is still in the early stages of development and any suggestions are welcome. There are still a lot of unanswered question. Who should pick the members of the groups. It shouldn't be just another government committee but who should choose? Who pays the members of the groups for travel expenses. There are probably many other questions. Please email all comments and suggestions to Nonso Obikili at [thesubsidyplan@gmail.com](mailto:thesubsidyplan@gmail.com)