BUDGET IMPLEMENTATION AND GOVERNANCE IN NIGERIA

By

IANNA JATO GIDEON
C/o College of Education,
Katsina-Ala.

Abstract

The crux of this paper is to examine budget implementation and governance in Nigeria. In any polity, be it developed, developing or under-developed, the idea of governance conjures a theoretical undertone of the social contract and the common good which budget implementation is expected to assure. This paper contends that poor governance results to poor budget implementation which occurs when the desired result on the target beneficiaries is not actualized. The paper after analyzing several ways through which governance can improve budget implementation in Nigeria, went further to recommend among other things, that all the parties concerned especially the target beneficiaries should be involved at the formulation stage of the budget so as to accommodate all inputs. This will go a long way in providing the needed commitment by all parties who will see the budget as originating from them.

The National Budget is by far the most important economic tool for mobilisation, allocation and management of resources. It means that if the nation must develop, the nation must get it right with budgeting process. That is, the formulation, passage, implementation, monitoring, oversight and review must be done with utmost caution and according to the rules otherwise, the budget will not achieve the desired development.

Interestingly, in all advanced and most developing countries, citizens and the organised private sector await annual budget release with great expectations. This is so because, budget outlines government’s current fiscal policies. These policies in turn, shape the socio-economic outlook for the year. Budgets are also used by the electorates to measure campaign promises made by politicians. But owing to widespread political apathy and high illiteracy level in Nigeria, politicians are still able to deceive the citizenry about their achievements of non-existing projects captured on paper in the federal budget.
Following from the above, the need for a well-informed and properly implemented budget cannot be overemphasized in the attainment of development for a nation like Nigeria. Proper budget implementation which is the focus of this work, will bring about efficiency and accountability in government, whereas poor budget implementation will bring about inefficiency and unaccountability.

**The Federal Budget in Nigeria**

The responsibility for the federal budget is shared between the executive and the legislature. The executive is responsible for preparing the budget while the legislature approves it. In Nigeria, the law requires the president to submit a budget for the next financial year to the National Assembly (legislature) for approval. The budget indicates how the Nigerian state will allocate scarce financial resources to secure the welfare, life and property of its citizens. To this end, Nnamani (2006:91) averred that “the budget is a powerful tool of governance and an economic template for equitable and efficient allocation of resources using the parameters defined by the constitution”.

It is instructive to note that through the national budget, the government sets out the principle of public expenditure that will realize the goals of economic reform programmes. Budgets are not just financial statements, they are political declarations of the commitment of the state to civil and political freedoms, as well as economic and social rights of the people. They are declarative of how the state prioritizes responses to the needs and wants of the citizens. Because the budget is a government tool, it must be intelligible and rational and should espouse pragmatic linkages between the directive principles of state policy and financial resources available for the fiscal year.

The budget process generally involves the following stages;
1. Budget formulation by the various Ministry, Department and Agencies (MDAs);
2. Call circulars to indicate the format for submission of the budgets proposal to Ministry of Finance.
3. Submission of budget from MDAs to Ministry of finance;
4. Hearing and defence of budget;
5. Determination of ceiling for each Ministry, Department and Agencies;
6. Alternatively, there may be participatory budgeting or a situation whereby ongoing projects are captured in the next year’s budget;
7. Revenue forecast and projections;
8. Final preparation of budget and submission to the state or Federal Executive council;
9. Presentation to parliament;
10. Legislative process;
11. Implementation-warrant of releases and cash backing;
12. Monitoring and control;
13. Oversight- (Olutoye 2013:8).
It is imperative to note therefore that, the great edifice of democracy was constructed by citizens who were concerned about how government raises and spends public revenue. That concern is visibly the concern of every disadvantaged citizen of Nigeria.

Governance in Nigeria

In any polity, be it developed, developing or under-developed, the idea of governance conjures a theoretical undertone of the social contract and the common good. Onyishi (2009:115) averred that

One of the sacred injunctions of the social contract theory is that the common good should be administered to advance the welfare of the citizens of the country. To this extent, citizens acting generally and collectively reserve the right to monitor and seek explanation of how the custodians of the common good manage it.

Governance is the act of governing. It relates to decisions that define expectations, grant power or verify performance. It consists of either a separate process or part of management or leadership process. These processes and systems are typically administered by a government which is made up of the executive, legislature and judiciary. On this note, a reasonable or rational purpose of governance might aim to assure (sometimes, on behalf of others) that an organisation produces a worthwhile pattern of good results while avoiding an undesirable pattern of bad circumstances. According to Stoker (1998:1)

The moral and natural purpose of governance consists of assuring, on behalf of those governed a worthy pattern of good while avoiding an undesirable pattern of bad. The ideal purpose, obviously, would assure a perfect pattern of good with no bad.

A good government, following this line of thought, could consist of a set of inter-related positions exercising coercive power that assures, on behalf of those governed, a worthwhile pattern of good results while avoiding an undesirable pattern of bad circumstances, by making decisions that define expectations, grant power, and verify performance. Hence, Foresti and Wild (2010:2) citing Hilary Cliton in Nigeria on August 12, 2009, stated that;

Again, to refer to president Obama’s speech, what Africa needs is not more strong men, it needs more strong democratic institutions that will stand the test of time. Without good governance, no amount of oil or no amount of aid, no amount of effort can guarantee Nigeria’s success. But with good governance, nothing can stop Nigeria. It’s the same message that I have carried in all of my meetings, including my meeting this afternoon with your president. The United
States supports the seven-point agenda for reform that was outlined by President Yar’Adua. We believe that delivering on roads and on electricity and on education and all the other points of that agenda will demonstrate the kind of concrete progress that the people of Nigeria are waiting for.

It is imperative to note that, governance has its basic tenets which in the views of Jega (1994:102), are; responsibility, responsiveness, accountability, transparency, discipline, effectiveness, efficiency, selflessness, impartial services and popular participation. What can be deduced from the foregoing is that, governance encompasses the state institution and structural arrangements, decision-making process and its implementation capacity that is geared towards uplifting the living conditions of the people. It has links with participatory development and it also concerned with erecting an enabling political environment for economic growth and equitable distribution of values as well as adherence to protecting the fundamental rights of all peoples irrespective of sex, statues or other primordial inclinations. In the views of Achebe (1983:1) “the trouble with Nigeria is simply and squarely a failure of leadership... the Nigerian problem is the unwillingness or the inability of its leaders to rise to the responsibility of true leadership”.

It has been argued that, for government to be responsible, she needs to provide public goods and services to her citizens. According to Iweala (2006:1), “public goods are those things which cannot be provided by the private sector, these include National Defense and Administration of Justice. Public services on the other hand are those things which if provided only by the private sector, would be available to only a privileged few, these include, education, roads, water, health care and policing”. To provide these public goods and services and generally carry on with the business of governance in Nigeria, government needs to plan its financial activities and come up with detailed spending plans. This involves, estimating revenues (income) that will be available, identifying the public goods and services to be provided and how they are to be provided, estimating what it will cost to provide the indentified public goods and services, and allocating resources among the identified public goods and services, as there is never enough money to do everything.

Note that, these spending plans are presented in financial terms referred to as the Federal Budget. The Federal Budget documents the direction of government policies and spending priorities for a financial year. It is the federal government’s instrument for delivering essential public goods and services to her citizens. To this end, Iweala (2006:2) argued that;

You benefit from the federal budget each time you or your children drive on federal roads built and maintained with federal funds, attend a federal University/Polytechnic/College of Education/Unity School to improve your
skills, attend federal hospitals or other federal healthcare institutions, are protected by the police or other security agencies.

Majority of Nigerians have however complained that, public goods and services captured in the federal budget do not reach them and their children.

Budget Implementation Problem in Nigeria

Budget implementation problem occurs when the desired result on the target beneficiaries is not actualized. It is argued that, the problem with budget implementation in Nigeria’s fourth republic can be traced to Nigeria’s monoculture economy, deficit budgeting, delayed passages of the budget by the legislature and ineffective oversight by the national Assembly. Others are late budget release by the relevant authorities such as the federal ministry of finance office of accountant General of the federation as well as the central Bank and of course, the problem of corruption.

It is worthy to note that there could be implementation gap as a result of many other factors which could arise from the budget implementers or the environment in which the budget policy has been made. Implementation gap arises from the budget itself when such budget emanates from the government rather than from the target groups. By this, it means that the planning is top-down. The implication of this is that, the target beneficiaries are not allowed to contribute to the formulation of the policies that affect their lives. According to Ezenwafor (2011:43) “failure of the policy (budget) makers to take into consideration the social, political, economic and administrative variables when analyzing formulation creates a huge implementation gap”.

Of the truth, corruption is the biggest problem that leads to implementation gap in Nigeria. Implementation problem comes in this regard when huge amount of money are earmarked for a project but the officers in charge of implementation steal such amount or a substantial part of the budgeted money. For example, during the Obasanjo Presidency, billions of naira was budgeted for road construction but the roads were not constructed as the minister for works, Tony Anenih was accused of stealing a substantial part of those budgeted billions. During that same period, billions of naira was sunk into the power sector for the generation, transmission and distribution of electricity to the Nigerian people. But those billions were stolen as Nigerians continue to live in darkness. The recent example of budgetary fraud was exposed in the fuel subsidy issue. Marketers were accused of collecting budgetary allocation on fuel subsidy without actually importing fuel in Nigeria. As a result of corruption, many projects that are found in the budget are abandoned without convincing reasons, hence, dysfunctional government budgets year in, year out.

On the whole, some of the common problems encountered in implementing the budget of developing countries especially Nigeria are;
The approved budget is unrealistic, so actual spending must be less than authorized,

(2). Extreme uncertainty concerning available resources.

(3). Extra-budgetary funds outside the budget process, hoarded by spending unit,

(4). Significant discrepancy between actual and reported expenditure,

(5). Funds diverted to unauthorized purposes or private accounts,

(6). Delayed publication of financial statements.

The above are some of the problems confronting the implementation of budgets in Nigeria. With these budgetary problems in place, governance becomes extremely difficult. On this note, Onyekpere (2012) submitted that “since the return to civil rule in 1999 there has never been a year that the capital budget attained 75% implementation. If Onyekpere’s submission is anything to go by then, Ihovbere (2004:24) concurred that; “When the quality of governance is defined by poor leadership, limited vision, corruption and inefficiency, the delivery of policies would remain poor... the public sector in Nigeria is bedevilled by mis-governance and inability to deliver on established goals”.

Tackling the Implementation Problems of Budget

The problem with lack of robust implementation of budget could be identified right across the spectrum of activities leading up to budget approval, monitoring and implementation. This problem could be traced right from the selection of projects and programs to be included in the budget. What informs the taking of this decision? Ideally, the content of the budget should be driven first and foremost by the content of the medium term expenditure framework. This is a sort of a three-year rolling plan which imbibes the budget process with the required focus so that projects that have an implementation cycle beyond a fiscal year are not forgotten in the subsequent budget.

The budget details from the presidency to the legislature must be sent in good time to allow time for the discussions and negotiations that would eventually result into an approved budget. It is recommended that the legislature is carried along during budget articulation process. Budgeting is very vital and must be approached with all sense of diligence in Nigeria. The rate of economic development in the third world countries, especially Nigeria has been relatively slow and it needs to be accelerated through budget implementation. It must be emphasized that for effective and efficient budget implementation to be achieved, the right budget basics, strategy, and managerial accountability have to be in place, (Ezenwafor, 2011). The budget basics according to Ezenwafor are; A realistic budget that is implemented with few significant deviations from plan, Low level of corruption in public expenditures, High transparency in public finance and that; Public funds should be spent for authorized public purpose. Furthermore, there should be both internal and external control of the budget.
implementation process where spending units have reasonable certainty as to the funds that will be available.

The right strategy needed to get a successful budgeting process which is capped by problem-free implementation is also necessary. The right strategy will among other things be necessary because of the following reasons;

1. Basic reforms are likely to yield the greatest payoff in budget improvement.
2. Best practices should be long-term objectives and not short-term priorities.
3. Good ideas often fail because of bad strategy.
4. Reforms should build on existing institutions; they should not seek to imitate other countries.
5. Reform must be a continuous process, not one time fix.

Getting the budget sequence right is also essential for successful implementation. The managerial accountability needed to achieve a successful implementation may be summarised as follows;

a. Agencies may be permitted to carry over unused funds to next year.
b. Agencies have broad discretion in using funds.
c. Budgets are based on outputs/result.
d. Use of performance measures throughout the budget process.
e. Actual performance compared to targets.
f. Shift to accrual accounting and budgeting.

Conclusion

From the analysis carried out in this piece of work, it has been discovered that, budget implementation and governance are inextricably linked together. As a result, the poor budget implementation in Nigeria has inevitably led to poor governance. It is important to state that in as much as this work does not want to leave and impression that budget implementations in Nigeria is always a failure, the analysis carried out has exposed areas that need massive improvement.

The problem of budget implementation will be a thing of the past when budget implementation is reviewed periodically to ensure that programmes are implemented effectively and to identify any financial or policy slip-ups.

Recommendations

In order that budget implementation and governance will meet the yearnings and aspirations of the Nigerian people, the following recommendations should be considered:

1. It is important that monitoring and evaluation should be an integral part of budgeting process. Nigerians must take advantage of existing ICT in budgeting process.
2. All the parties concerned especially the target beneficiaries should be involved at the formulation stage of the budget so as to accommodate all inputs. This will go a long way in providing the needed commitment by all parties who will see the budget as originating from them.

3. Once a policy is found to be useful to the people, the commitment of all concerned should be registered, to ensure that change in the administration or government will not lead to project abandonment.

References


