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BUDGET AND IMPLEMENTATION OF PUBLIC POLICY IN NIGERIA

Abstract

The paper examines budget as instrument of realising the goal of public policy. Using data generated from secondary sources, it was found that the goals of most policies are not accomplished in Nigeria due to incessant budget failure at the stage of the formulation and implementation. Critical among the factors responsible for the failure are; delay in preparation, late submission and appropriation, cumbersome bureaucratic process of securing release of funds, short fall in revenue, poor implementation plan and above all corruption. Consequently, the paper suggests the way forward which includes; effective monitoring, timely submission of the budget to legislature by the presidency, discouragement of unnecessary lobbying of National Assembly by MDAs and avoidance of temptations of allocating huge amount to new projects while the on-going projects are starved of funds.

Key words: Budget, Instrument, Public, Policy.

1.1 Introduction

For a system to achieve certain goals it must have a chosen course of action as a road map towards the actualisation of the desired end. The chosen course of action to reach the stated objectives constitutes what is loosely referred to as policy. Every economy takes decisions on how to actualise proposed or intended objectives through the instrumentality of policy. Thus, at the governmental level, policies are formulated and implemented to provide solutions to societal problems.

Though policy at any level is a vital instrument to resolve problems faced by societies, however, it is just a mere statement of what government intends to do. Suffice to say therefore that policy

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itself needs some supportive device to get its goals concretised. One of these vital devices is budget. This is because, budget involves the determination of resources and their uses for the attainment of government policy objectives. Budget serves as an implicit policy statement as it sets relative levels of spending for different programmes and activities contained in the policy thereby making the policies explicit and operational. However, the marriage between policies and budget in Nigeria has been a failed one. Instead of budget facilitating achievement of policy goals, it serves as an element that retards the actualisation of the desired goals. The aftermath has been abandoned and improper implementation of projects within the country. Many analysts have attributed this occurrence to failure in some stages in the budget cycle, namely budget formulation and especially the implementation stage. In this regard, the paper seeks to address issues thwarting effective budget formulation and implementation in Nigeria and the implications for realising public policy goals. To achieve this objective, the paper is divided into sections. The first section is an explanation of what should characterise a good budget and stages in budgeting. The second section x-rays the concept of public policy. The third draws a nexus between budget and policy; the fourth section discusses the factors responsible for poor budgeting in Nigeria. The final section suggests the way forward to having a good budgetary system.

1.2 Methodology

In order to achieve the objectives of the study, the paper generated data mainly from existing literature on budgets. Content

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analysis was used to draw insights from the literature on areas that are considered very significant to the research.

1.3 The Concept of Budget

Different writers have looked at the concept of budget from different dimensions. For Sachdeva and Sogani (1980), budget in modern times means a financial scheme or statement or the document which contains estimates of revenue and expenditure for a year. This means that budget is a statement of the probable revenue and expenditure for the ensuing year, with financial proposal founded thereon. However, budget these days is something more than an estimate of revenue and expenditure. It has developed into an elaborate system of financial management which includes not only a plan of public revenue and expenditure but the whole of material finances which are disclosed in ministerial statement placed before the legislature and the orderly administration of the financial affairs of the government. Bhattacharya (2000) supported the above when he puts it succinctly that a budget is more than estimates of revenues and expenditures, but encompasses reports regarding how government managed affairs in the previous year, the condition of public treasury, programme of work for years to come and how such work should be financed. In this regard, the characteristics of budgets as can be deduced from the above are:

(i) clear identification of all activities to be carried out within the budget period;

(ii) accurate estimate of the resources required to carry out the activities identified;

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(iii) allocation of funds amongst competing departments and activities along predetermined priorities; and

(iv) formulation of appropriate policies to guide and support the implementation of the budget.

Emphatically therefore, budget is a management technique or a formalised approach for preparing and communicating organisation's expectation and accomplishing the planning, coordinating and controlling responsibilities of the management in such a way as to maximise the use of resources available (Fadeyi, 1999).

1.4 Stages in Budgeting in Nigeria.

It should be acknowledged that a budget is a systematic activity. It is the systematic nature of budget that makes it a central instrument of financial administration. Accordingly, Oshisami and Bhattacharya (2000) articulated budgetary system to include the following stages:

(a) Preparation of Estimate: At this stage, the political executive decides the overall financial policy, on the basis of which estimate are prepared. On the basis of the instruction from finance ministry, various agencies prepare their estimate which are examined and scrutinised by departmental heads. This stage is usually characterised with stiff competition among various departments who push their claims for acceptance;

(b) The budget office devices a more detailed version of the plan and issues circular to ministries, requesting estimates to be prepared according to budget guidelines;

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(c) The ministries submit their estimates to the budget office which reviews them and adjusts them where necessary.

(d) The budget office then aggregates the budgets in the form of Consolidated Revenue and Expenditure which is passed to the president for his approval;

(e) The president lays it before the National Assembly in the form of Appropriation Bill;

(f) The National Assembly debates the bill and invite ministries and other agencies to defend their budget proposals where necessary, modifies before passing the budget and returning to president for his assent;

(g) The president gives his assent to the appropriation bill which becomes an Act, and finally,

(h) After this, the minister of finance is empowered to release funds to the ministries. This is done by the issuing of warrants and implementation of the budget begins.

1.5 The Concept of Public Policy

Different people have attempted to define public policy from different perspectives. Jenkin (1978) defined public policy as a set of interrelated decisions by a political or group of actions concerning the selection of goals and means of achieving them within a specified situation. Similarly, Ikelegbe (1994) conceived it as governmental actions or course of proposed action directed at achieving goals. Dlakwa (2009) viewed public policy as legally sanctioned statement of intentions by government following a painstaking process of decision-making, as well as the crafting of an instrumental framework

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through which these intentions could be accomplished so as to meet the yearning and aspirations of the citizenry. This definition is comprehensive and all encompassing because, it unveiled critically the elements that constitute public policy. In the first place, it is the statement of intention in the form of goals and objectives to be accomplished. It also involves a choice of action or selection of alternative strategies for achieving the objectives among various orientation by governmental organs. Further, it captured public policy as an exercise to be carried out by governmental institutions or political actors authorised to do so. It is conducted amidst high degree of uncertainty and finally, it requires flexibility in order to cope with changing desires of the people. The definition by Jenkin appropriately captured the line of thought being traced by this paper. The element of the definition that is considered very suitable for the paper is that public policy entails selection of goals and means of achieving them. One of the means of achieving the goals is through the instrumentality of budget. This is a pointer therefore, that there is a relationship between budget and public policy.

1.6 Budget Policy Link

The marriage between public policy and budgeting cannot be divorced. It follows therefore that a bridge between public policy and budgetary process be made in order to make policy a breathing reality than a statement of wishes. In the advanced countries, citizens and the organised private sectors await annual budget release with nostalgia. This is because, budget outlines current socio-economic policies of the government. In the early days, budget was just a

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statement of estimated receipts and expenditures. The trend has changed in the modern times as it articulates government policies and programmes in every ramifications of the economy. Through budget, therefore, various interests, desires and needs of the citizens are consolidated into concrete programme of action. The purpose of budget as an instrument of public policy might therefore be to correct one ailment or the other within the society, such as reducing poverty, unemployment and maladministration of resources. Thus budget has tremendous social and economic implications in any society. Ohanele (2010) substantiated this assertion thus:

> *a budget is the most important economic policy instrument for government. It reflects a government's socio and economic policy priorities more than any other document. It translates policies, campaign promises, political commitment and goals into decisions where funds should be spent and how funds should be collected.*

It is explicit from the above that a well functioning budget is vital to the formulation and execution of government policies. In the same manner, a weak budget exacerbate socio-economic problem in an economy.

Over the years, budgeting within the Nigerian context has sabotaged public policies in Nigeria. Chegwe (2010) corroborated this when he declared that budgets at the state or federal administration have not been able to achieve up to a mere 45% annual budget implementation in the last twelve years. This ugly experience no doubt according to him has sabotaged policies in key public

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infrastructural provision such as transport, power, communication among others. The consequence manifests in the increase in cost of doing business in Nigeria. As such foreign investors are scared away and several others relocated to neighbouring countries or are contemplating doing so. Ayogu Eze quoted in Onuba (2010) did not mince words when he asserted with regret about the low performance of budget to realise objectives of public policies. He emphasised that:

> *the Senate is not satisfied with budget performance and neither is the minister of finance satisfied with the budget performance, because in some places, the performance is as low as 15 percent, in others, 27 percent and also 30 percent in some other places.*

In another occasion, Ohanele (2010) attested to the above when he stated that:

> *Every year, Nigerians hear of trillions of Naira budget by all tiers of government. But at the end of the year, our people are always at a loss as to where the monies were invested.*

Actually, year-in-year-out, the description of budget by the government is always in laudable terms, but however, usually ends up in decreased standard of living of the Nigerian citizenry. Drawing from the above, Nigerian budgets have consistently failed over the years to achieve intended policy goals of government. Many analysts have blamed the failure on improper formulation and poor execution of budget policies. The next section therefore focuses on the factors responsible for budget failure in Nigeria.

1.7 Findings and Discussion

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The general consensus among analysts is that budget"s failure to capture the essence of public policies in Nigeria set in at two critical stages in the budget cycle. These are at the level of making and implementing the budget. Some of the factors responsible for the failure in specific terms are discussed as follows:

Delay in preparation, submission and appropriation. In most cases budget details from the presidency to the legislature are not sent on time to allow time for discussions and negotiations that would eventually result into an approved budget. Ahmed (2011) captured this situation in this form:

> *Everything that could possibly go wrong with Nigerian budgets has gone wrong. The estimate are submitted late, and the national assembly takes too long a time to pass it.*

To a large extent, Ahmed has demonstrated explicitly this scenario as associated with the Nigerian budgetary system. From 1999 to date, budgeting in Nigeria has been characterised with delays in preparation, submission and appropriation. In some cases, budgets were approved at third quarter of the fiscal year. Worse still, supplementary budgets were usually concluded at the end of the financial year. The late passage of 2009 budget is a good example. The Senate passed the 2009 appropriation bill in December 2008, the House of Representatives did not pass same until April 2009 or thereabout (Ojo, 2009). The implication is that only few months were left for effective budget implementation. The resultant effect is improper execution and poor coordination of projects.

Another factor is the **bureaucratic process of securing funds release**. Funds are not released as at and when due. Ojo (2009)

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corroborated this. For him, so many hurdles are crossed before approvals can be cash-backed. The irregularities in the release of the funds are usually due to the delay in processing payment. However, a good practice to address delays between warrant release and cash-backing has now evolved in the form of collaboration between the budget office and office of the Accountant General of the Federation. Draft warrant is now first reconciled by the two bodies before a final one is issued (Obadan, 2008). This then makes cash backing almost automatic.

Again, **short fall in revenue is also a factor**. This is perhaps the main reason for the late release of funds. President Yar'Adua cited in Ojo (2009) admitted the poor performance of the 2009 budget. For instance, he attributed the short fall in revenue to global economic crisis, fall in oil revenue and the Niger Delta crisis. Consequently both oil and non-oil revenues were about 17% and 21% respectively. This was far below the budget level of 2009. The implication was that projects attracted insufficient budget allocation, non-attainment of original set targets, delays in completion of projects to many years after the initial completion dates. The case of three problem projects of Ministry of Works in 2008 budget vividly illustrates the points. The projects are: the construction of Bodo Bonny road with a bridge across the Opobo channel in Rivers State; construction of Itigidi bridge along Aba Omega Ediba Ugbe road (Cross River State), and construction of Kaduna eastern by-pass (Kaduna State). The first project mentioned above is handled by Gitto Construction Nig. Ltd. The contract sum was ₦24,045.26 million, and awarded on 14/10/02 with the stipulated date of completion as 03/12/05. The

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physical progress certified was 26.10% and amount paid to date is ₦11,253.13 million (Obadan, 2008). The insufficient annual funding thwarted the completion of the three projects as mentioned above.

Further, lack of implementation plan is another factor. The World Bank Director in Nigeria Onno Rhul quoted in Daily Trust of 27 May, 2011 reiterated this factor. He was of the opinion that what is really responsible for budget failure is lack of plan. He said that "government should budget for what it can spend". Due to the improper planning, government commits resources to projects without assessment of the results to be achieved. With proper plan in place, government should be able to prioritise choices in the face of dwindling revenues and thus, resources channelled to the projects that can be completed and make maximum impacts.

Inadequate monitoring of budget performance is another factor. Monitoring of budget is a constitutional role of the legislature. In the performance of this function, the National Assembly can visit any MDAs and project sites and conduct assessment of budget implementation. But this function is not given the needed attention in the Nigerian budget cycle. Where it is done at all, the reports are never debated or made public. Ojo (2009) attested to this fact thus:

> *Inspite of plethora of inquiries into MDAs, the reports of the probes have neither been debated at plenary nor made available to the public. This fuels the speculations that the motive behind such flurry of probes is self-serving and not in national interest.*

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The consequence of the limited or lack of monitoring is also that projects implementation tends to be delayed or projects are not executed or are abandoned.

Yet another factor is the contractors and the supplies themselves. This in most case affects budgetary implementation. The problem manifest in: late commencement of project activities, supply of second-hand equipment by some contractors, use of substandard materials by some contractors, etc.

Closely related to the above and the most serious is corruption. The delay in budget enactment, low budget allocation, downward review of allocation, problem with contractors/suppliers, delay in the release of funds are all deliberate corrupt tactics to thwart effective performance of budget for personal gains. A statement to this effect was made by Ahmed. It goes thus:

> *A top government official working with one of the agencies of government under the presidency said in 2007, that members of legislature inputted about ₦100 billion into the agencies budget and later came back after the budget was signed by the president for the amount inputted (*Ahmed, 2011)*.*

In this respect, the official in the agency asked whether he was expected to go to the bank and withdraw ₦100 billion. The culprit was dumbfounded. It is obvious that this happens in all ministries. It is such that any MDAs which refused to play with the law makers would hardly get the budget approved on time if not totally frustrated. It is therefore not surprising that Nigeria was rated 134th position out of 178 countries by Transparency International corruption perception index 2010. Of course, Nigeria's mono-cultural economy, deficit

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budget, delay passage of the budget by the legislature, ineffective oversight function by the National Assembly, late budget release by the relevant authorities such as federal ministry of finance, Office of Accountant General of the Federation as well as Central Bank of Nigeria, are all factors responsible for budget failure to realise the target of public policies. However, a critical assessment of all the factors suggests that there are elements of corruption embedded here and there.

In the house, time allotted for discussion is not enough to afford exhaustive debates on grants.

Much time is spent in debating and discussing expenditure where the amount involved is meagre – simply for the sake of discussion.

The discussion is not aimed at ascertaining the government efficiency. The discussion on the budget on the demand for grants only serves as a ventilation of grievances in regard to political aspects.

Budget estimates submitted by various MDAs are always over estimated. This is wrong. Budget estimates should be as exact as possible. Over estimation results in heavy taxation as well as wastage of money.

1.8 The Way Forward

In economic jargon, budget is a tool to fast track the provision of goods and services in order to meet the socio-economic development of the country. Budget in ideal sense should serve as a fulcrum for efficient mobilisation, allocation and management of

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resources to realise the policy potential of an economy. A well formulated and effectively implemented budget should speed up efficient mobilisation, allocation and management of the resources. However, the reverse has been the case in Nigeria. The reason is not far fetched. The basic characteristics of a good budget such as comprehensiveness, transparency, accountability, realistic revenue projection, linkages of resources availability with expenditure plans and focuses of project priorities have not been strictly observed. The way out of the malaise is not difficult if the following are put into consideration when formulating and implementing budgets.

First, a team of expert should be put in place for effective monitoring of the budget. If a high level of implementation and project rate is to be achieved; a step in this direction already taken by the government is the formation of a committee, made up of ministers (FCT, works, aviation, power and petroleum) chaired by minister of finance. This committee periodically goes out and inspects projects as well as meets with management of ministries handling key infrastructural projects. This is a step in the right direction as oversight functions carried out by the legislature has amounted to mere window dressing.

Also, budget from the presidency to the legislature should be sent in good time. This will allow discussion and negotiations that would eventually result into an approved budget. In this regard, it is recommended that budget preparation can start in April/May and bill submitted to National Assembly by September 1. By January 1, budget should be ready for implementation. In this regard, there

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would be systematic as against the rushed and inefficient implementation of the capital budget.

Once more, MDAs should be discouraged from lobbying National Assembly for increased budget allocation. This would reduce the incidence of corruption always associated with budget process in Nigeria. MDAs are to defend budgets before National Assembly and not to lobby for increment. Any MDAs found wanting in this regard should be sanctioned accordingly. In addition, by way of encouraging the MDAs to shun the act of corrupt tendencies, MDAs with excellent project execution and service delivery should attract commendations and be sanctioned accordingly if the current capital budget is not implemented.

Moreso, government should avoid the temptation of allocating huge budget amount to unprepared new project while on-going ones are starved of funds. Only the phase of a project that can be executed in a fiscal year should be funded.

Another key initiative of the government which should be encouraged is the decision not to return unspent money but rather to move it to viable projects being undertaken by MDAs perceived to be performing as they would be deemed to need the money. This initiative which has been in existence before 2007 contributed to the relative performance of capital budget implementation in 2005 and 2006. 2005 capital budget was executed up to June 2006, 2006 capital budget was implemented to first quarter of 2007. This was partly responsible for the variation in proportion of funds released and utilised from 2005 – 2008 as shown below.

2005 was 88.1%

2006 was 96.5%

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2007 was 68.8%

2008 was 43.9% (Obadan, 2008).

The proportion of the fund released and utilised showed a decline performance from 2007 to 2008.

In approving the budget, the legislature should resist the temptation of tinkering with the budget projects and programmes as submitted by the executive. In this regard, an interactive or inclusive process is to be adopted in the preparation of the budget so that if there is any project close to the heart of dominant stakeholders, such should be accommodated in the process of budget allocation. There are reports of instances where the allocations for some agencies were arbitrarily slashed by more than thirty percent (Chizea, 2009). This leaves such agencies comfortably disenabled to implement their projects and programmes. Some of which are very integral to national development and therefore very crucial.

The demand for grants are couched in highly technical language that only a few technical persons/specialists members are able to discuss, the other members have no interest. Budget is not just addition and subtraction of figures. It is a mental exercise that requires the service of experts. To this end the National Assembly has set up a budget office to assist in the review of budget submission from the executive before the legislative debates. This no doubt will facilitate the discussion on the budget.

Proper training should be given to staff of the budget office at both the executive and the legislature on fiscal and financial matters.

Oversight functions of the respective committees of the National Assembly is negative and practice of appointing an

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independent body comprising of civil society organisation, labour unions and some persons of proven integrity to monitor budget implementation should be followed.

Mostly, the budget has been deficit budgeting. Deficit budget is not too good as it results in price rise if poorly handled. The budget should be a balanced one as far as possible.

Finally, the social and economic implications of the budget must be kept in mind while preparing the budget.

1.9 Conclusion

It is beyond every reasonable doubt that a budget well formulated and properly implemented would contribute to the overall development of a nation. Over the years, these traditional functions of the budget have been a dying legacy, and unfortunately, it has retarded the realisation of socio-economic policy potential in Nigeria. The perennial challenge of the poor performance of budget has been blamed on several factors such as inadequate revenue, poor budget planning, inordinate political wrangling between the executive and legislative arms of the government and above all corruption. These factors have been dealt with extensively in the paper and ways forward charted accordingly.

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