

BUDGET AND IMPLEMENTATION OF PUBLIC POLICY IN NIGERIA

Abstract

The paper examined 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 were 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 were; 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 suggested 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

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

41 **1.2 Methodology**

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

analysis was used to draw insights from the literature on areas that are considered very significant to the research. The rationale for the use of the content analysis is that it provides opportunity for detailed study of the existing literature gathered for the study. The literatures gathered for the study were obtained from google search on the internet. Most literatures obtained were on the opinions of public affairs and budget analyst in Nigeria. On the whole the method adopted is a critical review of the existing literature related to the objective of the study.

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;
- (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 (1984) 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.

98 This stage is usually characterised with stiff competition
99 among various departments who push their claims for
100 acceptance;

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

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

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

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

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

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

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

121 **1.5 The Concept of Public Policy**

122 Different people have attempted to define public policy from
123 different perspectives. Jenkin (1978) defined public policy as a set of
124 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 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 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

182 manner, a weak budget exacerbate socio-economic problem in an
183 economy.

184 Over the years, budgeting within the Nigerian context has
185 sabotaged public policies in Nigeria. Chegwe (2010) corroborated this
186 when he declared that budgets at the state or federal administration
187 have not been able to achieve up to a mere 45% annual budget
188 implementation in the last twelve years. This ugly experience no
189 doubt according to him has sabotaged policies in key public
190 infrastructural provision such as transport, power, communication
191 among others. The consequence manifests in the increase in cost of
192 doing business in Nigeria. As such foreign investors are scared away
193 and several others relocated to neighbouring countries or are
194 contemplating doing so. Ayogu Eze quoted in Onuba (2010) did not
195 mince words when he asserted with regret about the low performance
196 of budget to realise objectives of public policies. He emphasised that:

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

203
204 In another occasion, Ohanele (2010) attested to the above when he
205 stated that:

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

210
211 Actually, year-in-year-out, the description of budget by the
212 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

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.

242 The Senate passed the 2009 appropriation bill in December 2008, the
243 House of Representatives did not pass same until April 2009 or
244 thereabout (Ojo, 2009). The implication is that only few months were
245 left for effective budget implementation. The resultant effect is
246 improper execution and poor coordination of projects.

247 Another factor is the **bureaucratic process of securing funds**
248 **release**. Funds are not released as at and when due. Ojo (2009)
249 corroborated this. For him, so many hurdles are crossed before
250 approvals can be cash-backed. The irregularities in the release of the
251 funds are usually due to the delay in processing payment. However, a
252 good practice to address delays between warrant release and cash-
253 backing has now evolved in the form of collaboration between the
254 budget office and office of the Accountant General of the Federation.
255 Draft warrant is now first reconciled by the two bodies before a final
256 one is issued (Obadan, 2008). This then makes cash backing almost
257 automatic.

258 Again, **short fall in revenue is also a factor**. This is perhaps
259 the main reason for the late release of funds. President Yar'Adua
260 cited in Ojo (2009) admitted the poor performance of the 2009
261 budget. For instance, he attributed the short fall in revenue to global
262 economic crisis, fall in oil revenue and the Niger Delta crisis.
263 Consequently both oil and non-oil revenues were about 17% and
264 21% respectively. This was far below the budget level of 2009. The
265 implication was that projects attracted insufficient budget allocation,
266 non-attainment of original set targets, delays in completion of projects
267 to many years after the initial completion dates. The case of three
268 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 **was** 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 physical progress certified was 26.10% and amount paid to date **was** ₦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:

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

302
303 The consequence of the limited or lack of monitoring is also that
304 projects implementation tends to be delayed or projects are not
305 executed or are abandoned.

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

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

317 *A top government official working with one of the*
318 *agencies of government under the presidency*
319 *said in 2007, that members of legislature inputted*
320 *about ₦100 billion into the agencies budget and*
321 *later came back after the budget was signed by*
322 *the president for the amount inputted (Ahmed,*
323 *2011).*

324
325 In this respect, the official in the agency asked whether he was
326 expected to go to the bank and withdraw ₦100 billion. The culprit was
327 dumbfounded. It is obvious that this happens in all ministries. It is

328 such that **Ministries Departments and Agencies (MDAs)** which
329 refused to play with the law makers would hardly get the budget
330 approved on time if not totally frustrated. It is therefore not surprising
331 that Nigeria was rated 134th position out of 178 countries by
332 Transparency International corruption perception index 2010. Of
333 course, Nigeria's mono-cultural economy, deficit budget, delay
334 passage of the budget by the legislature, ineffective oversight
335 function by the National Assembly, late budget release by the
336 relevant authorities such as federal ministry of finance, Office of
337 Accountant General of the Federation as well as Central Bank of
338 Nigeria, are all factors responsible for budget failure to realise the
339 target of public policies. However, a critical assessment of all the
340 factors suggests that there are elements of corruption embedded
341 here and there.

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

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

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

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

355

356 **1.8 The Way Forward**

357 In economic jargon, budget is a tool to fast track the provision
358 of goods and services in order to meet the socio-economic
359 development of the country. Budget in ideal sense should serve as a
360 fulcrum for efficient mobilisation, allocation and management of
361 resources to realise the policy potential of an economy. A well
362 formulated and effectively implemented budget should speed up
363 efficient mobilisation, allocation and management of the resources.
364 However, the reverse has been the case in Nigeria. The reason is not
365 far fetched. The basic characteristics of a good budget such as
366 comprehensiveness, transparency, accountability, realistic revenue
367 projection, linkages of resources availability with expenditure plans
368 and focuses of project priorities have not been strictly observed. The
369 way out of the malaise is not difficult if the following are put into
370 consideration when formulating and implementing budgets.

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

381 Also, budget from the presidency to the legislature should be
382 sent in good time. This will allow discussion and negotiations that
383 would eventually result into an approved budget. In this regard, it is
384 recommended that budget preparation can start in April/May and bill
385 submitted to National Assembly by September 1. By January 1,
386 budget should be ready for implementation. In this regard, there
387 would be systematic as against the rushed and inefficient
388 implementation of the capital budget.

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

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

403 Another key initiative of the government which should be
404 encouraged is the decision not to return unspent money but rather to
405 move it to viable projects being undertaken by MDAs perceived to be
406 performing as they would be deemed to need the money. This
407 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%
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 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

The paper examines budget as an instrument of realising the goal of public policy in Nigeria. This becomes necessary on the ground that budget serves a fulcrum for efficient mobilisation, allocation and management of resources towards realising the policy potential of the economy. The paper however found that budgeting has actually failed at the level of formulation and implementation and by extension, the goals of public policies have been difficult to realise in Nigeria. Substantial factors found to be responsible for the poor performance of budget among others are: delay in preparation, submission and appropriation, difficulties in the process of securing

fund release, short fall in revenue due to fall in oil revenue and militant crisis in Niger Delta region, where the oil is produced. On the above premise, the paper recommends inter-alia that: team of experts should be put in place for effective monitoring of the budget, preparation of budget should be timely done so that the implementation will commence immediately. More so, proper training for the staff of budget office at both the executive and legislative arms on fiscal and financial matters is quite necessary. The paper therefore concludes that if the above recommendations are put into consideration, the goals of public policies would be realised via the instrumentality of budget.

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