

Public Administration: The Challenges of Falling Oil Price Budget Padding and Implementation in Nigeria

Williams A. Ahmed-Gangum (Ph.D)

Consultancy Services Unit,
Taraba State Polytechnic Suntai,
Jalingo Campus
willieconsult2002@yahoo.com

Ifu Danjuma Ezekiel

Department of General Studies
Taraba State Polytechnic Suntai,
Jalingo Campus

Abstract

Public Administration is both a practical human activity and academic discipline. As an activity it is the steps taken to implement government policies and laws with the aim of providing solution to social and economic needs and challenges of Citizens. This paper examined how this was done through budget making and implementation process in Nigeria using the bureaucratic institutions. The paper found that in spite of the falling oil price in the international market and consequently reduced income to government, the demand for social and economic projects continue to increase as well as the budgetary estimates allocated to each project continue to rise with deficit financing in budgets. This incremental system of budgeting otherwise called padding is practiced not only in Nigeria but in some other countries. It is seen as budget indiscipline which begins at the level of Ministries, Department and Agencies because it is not based on genuine data and usage. Notwithstanding, Nigerian Presidents have to carry the blame and look forward with hope because the President is the Chief Executive who presented a padded budget to the National Assembly. The National Assembly is also responsible for padding because they failed to approve unpadded budget, which goes to say that their reaction against padding was not to remove arbitrary increments but political and economic strategy to ensure their interest is also accommodated in resolving the question of who gets what (real and imaginary resources) and how? This paper observes that in spite of being an annual ritual or routine, budgeting practices should continue to be used as an aspect of policy analysis, decision-making and “accountability” without which the social and economic exploitation would be worse. In view of the need for an objective and reasoned process of budgeting, this paper then recommends that the technique of Performance Planning Budgeting System (PPBS) should be given greater attention in practice.

Key words: *Public Administration, Budget, Incrementalism, Padding, Falling oil prices*

1.0 Introduction

1.1 Background

1.1.1 What is Public Administration?

Abba (2008) defines Public Administration as whenever a group of people are engaged in common causes or goals. As a field of activity it is concerned with the creation and manipulation of the machinery of government in a country. As a field of study it is preoccupied with how administration is efficiently and effectively carried out. Pitt & MacRae

(1980) describes public administration as the coordination of men and materials to accomplish identifiable purposes of society/State as a whole. In modern sense public administration according to Henry (2007) is concerned with providing good governance. And good governance according to Omolehinwa (2014) is to act with transparency, accountability, effectiveness, efficiency, equity and minimization of corruption.

From these definitions public administration is concerned not only with the present needs of the society but also a legacy of good governance, which will take care of the needs of future generations.

As a prelude to good governance, the making of budgets in Nigeria became very controversial between the Federal Executive arm and the Federal Legislative arm when the 2016 budget was presented to the National Assembly. It was also raised after the 2018 budget was submitted. In this controversy or Executive-legislative politics, the President was portrayed in bad image as someone who is corrupt for allowing budget padding. The questions before us now are: -Was this controversy normal or abnormal? If it is not normal were there not budget padding in previous budgets? And in all previous budgets did actual revenue collected tally with proposed revenue? In budget implementation what actually happens to uncompleted projects because of insufficient fund?

1.2 Literature Review and Theoretical Framework

1.2.1 Literature

The published study of Wildavsky and Caiden (1974) made a comparative analysis of budgeting in several countries. They observed that poor countries have wished to grow richer among other objectives. But because of some factors within and outside countries it is not possible to make a realistic budget. Notwithstanding, leaders are expected to guide the nation through a long term plan and annual budget, which is the epitome of rationality. Wildavsky and Caiden (1974) then said it is harsh to accuse leaders who operate under the most difficult circumstance of lacking “*political will*”. And it is not everyone that benefits from national economic growth. This is because some people particularly the poor may miss out altogether and others are affected more adversely. The solution he said ‘*It would be wise to consider economic development sometime as thing*’ which budgeting and planning is the means of correcting errors of the past so that more errors are not produced. But out of fear that if one does not steal public funds he is doomed, has made some people to become part of the problem of underdevelopment through acts of corruption. This corrupt practice begins with **padding** during budget making process. Here, Departments workout strategies to outwit predictable cuts by inflating estimates, or present a high number of projects which had advantages over those that could not be considered; and when higher authority cuts the estimates or the number of projects, the benefiting Ministries, Departments, and Agencies (MDAs) would still expect, and end up getting above the actual amount they wish to have under a project and or number of projects expected. Wildavsky and Caiden (1974) gave examples of Peru, Thailand Korea, and Chile where budget padding used to be practiced. In case of Thailand a story of padding was told of a guy from a certain ministry who asked for 500,000 baht, and ended up to get 6,000. But instead of being worried the guy was jumping in jubilation because he actually needed only 4,000 for the project. A solution to stop padding according to Wildavsky and Caiden (1974) is for both sides to play by the rules. The apparent opposite of padding is there. Wildavsky and Caiden (1974) said in United State of America is asking less than one needs and it is called “**the camel’s nose**”. The idea is that “*By beginning small, the department hopes to get a project accepted, so that when expenses rise the government will be committed to finishing what has been started*” The difference between

poor countries that practice padding and rich countries that practice the camel's nose is that the rich countries have a stable budget and implementation environment. The executing department knows and is sure to receive their budgeted amount and the monitoring authorities (budget office) know what funds are being spent for. Here excessive request for funds are easily identified and punished. The opposite is the case of poor countries.

Abubakar (1985) holds the view that the making and implementation of government's annual budget is the whole mark of public administration. Budget is an annual ritual which serves as a melting pot for most issues of public policy analysis, decision making and the use of its instruments. The instruments find expression in the annual financial and budgeting system of government to answer the political, economic, legislative question of who gets what when and how best to allocate and apply available resources for the benefit of the largest number of the population. He went further to explain the approaches/techniques for preparing budget in government and how to analyze budgets. The approaches include (i) Incremental or traditional budgeting concerned with adding some figures to previous years budget estimate (ii) Planning Programming Budgeting System (PPBS) this centralises decision making to integrate long term planning with specific annual budgets to achieve goals and (iii) Zero Based Budgeting (ZBB) is concerned with stating estimates afresh each year and estimates must be justified for each new period. As for the analysis of budgets the technique of Cost-Benefit Analysis (CBA) and Cost-Effectiveness Analysis are used. In Nigeria Incremental budget is highly applied than the other techniques, and works on the following principles (i) it aims to alleviate conflict among agencies competing for resources (ii) it provides criteria of having a 'base' and 'fair share'. The base is the expectation that when a project is accept to be part of the budget for the first time this year there is a tendency it will always be in the subsequent budget without much questioning until it is completed. And as for fair share, it is the expectation that the project so accepted will receive some proportion of funds. This may be increased or decreased below the base. (iii) the values of fair share is not static but changes (iv) the budgetary allocation at any given time let say next year is dependent or determined on the budgetary allocation of previous year (this year plus or minus an incremental factor (i.e. fair share component). The incremental budget is thus historical and highly predictable process which relies less on rationality and more on political considerations by the decision maker which Lindblom (1959) describes as "*muddling through*". The present writers observe that the *fair share component* is where **padding is introduced**. It is here that the incremental budget suffers some criticism yet its use has lasted. According to Abubakar (1985) (i) It does not care about what outputs are to be achieved; (ii) it cannot measure the performance of the public servant nor hold him accountable; (iii) when MDAs seek an extra allocation of resources, there is no ready means of telling whether this is in proportion to extra work to be performed or to the output of other department performing similar activities; (iv) attention is focused on demands for extra resources, particularly money and staff. The continuing utility or relevance of existing allocations goes unchallenged. In spite of the inability of the traditional or incremental technique approach to keep pace with growth in the bureaucracy both in size and scope of public administration there was still faith in using its defects for personal interests. This notwithstanding the defects also naturally led to the search of alternative for resource allocation in the public sector: *The suggested alternative* by Udoji Commission in 1974 was *Performance Planning Budgeting System (PPBS)* among others and was adopted in 1980 by President Shehu Shagari in 1980. The budget should focus output to be achieved that is be result oriented, than Incremental budget mainly concerned with budget input and non performance. From all indications budgeting systems undergo reforms and some borrow some worthy techniques from other systems to check some perceived weaknesses.

Anaebonam (2014) was concerned about delays in passing budgets using the case of the Nigeria's 2014 federal budget. He observed that even though both Houses of the National Assembly passed the 2014 national budget, it took long period to complete that task and President Jonathan was yet to assent to the bill almost six months into the year. Notwithstanding the Constitutional provision that Government may continue to spend the equivalent of last year's budget in the first six months, in 2014 Nigerians were worried because the non-passage kept people in suspense and the life of citizens was directly and indirectly/ negatively affected by the non-passage of the budget. Anaebonam (2014) further stated that budget policies may lead to economic growth and inflation and it affects the poor people very easily and very fast. So the long delay no doubt caused a lot of distortions in the economy. Part of the reasons for the delay was placed on the cumbersome and uncoordinated budgeting process that does not make room for a bottom-up approach in the making of the budget. This makes the document to be seen as the imposed interest of a few ruling elites who after putting in their inputs do not use the document as guide to giving the people the projects approved in the budget. The elites only look into the budget with the aim to divert the cash released in the name of the project for personal use. He also observed that whereas the executive arm of government works to slash spending the law makers often look for where to increase spending.

Egbide and Agbude (2013) observed that the Nigeria budgetary practices have been characterized with indiscipline and flagrant disregards to budgetary rules and procedures, especially during the long years of military rule. Egbide and Agbude (2013) compared military and civilian regimes budget figures in Nigeria with respect to their ability or inability to adhere to budgetary estimates. First, they found that although budget discipline under democratic regime is arithmetically higher than budget discipline under military system, the difference is not statistically significant. Secondly, there was high over spending during transition years (as evidenced in 1999 and 2003) than it was for other years. Consequently they recommended that

Since budget is a law (appropriation Act); it should be accorded the same respect like any other act of the National Assembly as a justification for the democratic tenet of the rule of law. To that end budget implementation and control should be judiciously enforced with a view to achieving the lofty objectives that accompanies each year's budget, as well as reduce the negative pressure that budget indiscipline engenders.'

1.2.2 Theoretical Framework of Analysis

This paper adopts David Easton's system theory to explain the process of budget making. The framework asserts that budget policies are made and reformed through activities of subsystems that complement each other. And through a feedback from the environment the system actors produce new budgetary policies/laws.

1.3 Methodology

Data for this paper is collected from secondary sources like books policy documents and newspapers. And the technique of *Content Analysis* is used in anglicising the data.

2.0 The Role of Public Administration in Budget Making and Implementation in Nigeria

2.1 Constitutional bases of Budget Making

Legally the Constitution of the Federal Republic of Nigeria 1999 (as amended) has spelt out the role of the executive and legislative arms of government and their collaborative financial relationship. This is provided in section 80, 81, 82, 83,84, 85, 86 for the National Assembly and 162-167 for the Federal Executive. The financial relationship is expressed during the making and implementation of the federal budget. Nigerian federal government budget is a constitutional document prepared every fiscal year to show a statement of income and expenditure priorities of government. It also serves as economic policy instrument for governments. It reflects a government's social and economic policy priorities more than any other document. It translates policies, campaign promises, political commitments and goals into decisions on where funds should be collected and spent. Also a well-functioning budget system is vital to the formulation of sustainable fiscal policy and facilitates economic growth. As fine as the purposes of budget are, the poor implementation of budgets has contributed in increasing Nigeria's social and economic challenges and the observation that Nigeria has a weak budget system in all tiers of government. In the next section of this paper we shall discuss how the collaborative role of making budget starts and ends and how the falling oil price and increasing social and economic challenges influenced it.

2.2 Budget Making Cycle

Whereas Obara (2013) notes that there are four major stages in the budget cycle the present authors present 6 major stages of budget cycle/process (Fig 1 below). Each of the stages in Nigerian environment creates variety opportunities for public participation.

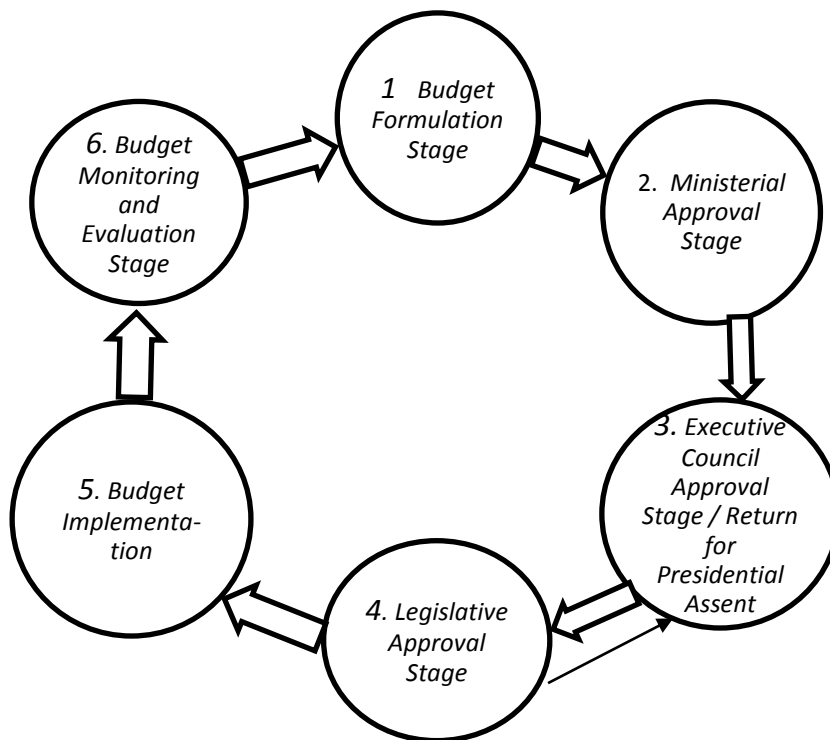
2.2.1 Budget Formulation Stage

At the federal level this starts within each agency by assessing their programmes and considering which programmes required revision and whether new programmes should be recommended. Haven identified projects; estimates are made bearing in mind anticipated economic trends in order to determine available revenue under existing tax legislation.

2.2.2 Ministerial Approval Stage

Each MDA submits their estimates to the Ministry of Budget and Planning for further consideration and approval. The Ministry of Budget and Planning in turn sets up a committee called "Draft Committee" for the review of draft estimates submitted by the MDAs. This committee asks each Ministry or Department to come and defend its proposals. On agreement over the proposal, the Budget Ministry aggregates the budget.

Fig 1: Budget cycle.



Source: *The present Authors*

2.2.3 Executive Council Approval Stage

After aggregating the Budget of all the MDAs into one document the Ministry of Budget forwards the draft Budget to the President for consideration at the National Executive Council Meeting. The 2016 budget was presented late on 22nd December 2015. While the 2017 budget like most previous budget was presented on 14th December 2016 which was still regarded as a late submission, the 2018 budget was submitted on 7th November 2017 and was applauded as the earliest submission in recent times to the Joint session of the two houses of the National Assembly. Unlike in the past, it is hope the budget would be passed in less than six months.

2.2.4 Legislative Approval Stage

Here, MDAs are further invited for budget defence at the National Assembly. MDAs continue to ensure there was no cut in their estimates and lobby to secure large increase where possible. They cry by foretelling imminent disasters or grave/negative social impact when cuts are made. To forestall grave negative consequences they wish there should be increases instead. As was the case with previous budgets, the budget plan will then be debated, maintained or altered, and approved by the legislative arm relative to available and expected revenue. A Department requesting for more allocation is often asked of the sources of revenue to back the demands. Where satisfactory response is not presented, the demand for more funds is put a stop. Where ingenious, clever or effective methods for sourcing funds are presented demands may scale through and approved. Methods for gaining funds include stating new sources of revenue like fees and taxes in addition to the main source, which in the case of Nigeria is reliance on oil sales income. The additional source of income often relied on is foreign loan. Here, international financial institutions that would like to count their achievements through the number of loans they have given out readily come to consult with MDAs to receive loans.

Nevertheless, the Federal Government's aggregate actual revenue often falls short of the targeted revenue. For example in 2009 President Jonathan Goodluck presented this fact as follows:-

The Federal Government aggregate revenue was projected at N2,265 billion. The actual revenue receipts amounted to N1,704.99 billion (excluding financing items) thus falling short of the target by N560.01 billion (or 24.72 per cent) as at end-December 2009. The Federal Government's share of oil revenue was N817.5 billion, indicating a shortfall of N151.57 billion (or 15.64 per cent) when compared with N969.07 billion projected for the FGN budget in 2009. The Federal Government's share of VAT, CIT and Customs Duties fell short of the N882.75 billion target by N350.23 billion (or 39.67 per cent) with only N532.52 billion realised. Independent revenue also underperformed as only N71.24 billion was realised against the expected sum of N305.97 billion in the period (www.cbn.gov.ng/Monetrypolicy/Fiscal/2009.asp).

With falling revenue there was always deficit financing in budgets. As shown in Table 2 below the highest deficit was in 1999 (165%) and 2003 (901%) all under civilian regime of Obasanjo and there was higher variations of between 32-78 percent under the military than 0-42% under the Civilian regimes (Egbide, and Agbude (2013). The increased estimate and deficits in the 2016 budget was more than that of the previous years. According to the President the budget was to be financed based on the anticipation of increased internally generated revenue and hope that oil price would appreciate (Premium Times December 27 2015). The same approach applied under President Muhammadu Buhari who succeeded Jonathan.

In respect to the main source of federal revenue for financing the 2016 budget, the President used a bench mark of \$38 per barrel and a crude oil production estimate of 2.2 million barrels per day for 2016. And the Federal Government budget presented a budget estimate of N6.08 trillion from a revenue projection of N3.86 trillion resulting in a deficit of N2,22 trillion (Premium Times December 22 2015). Following the presentation of the budget to the National Assembly a remarkable reaction came from the National Assembly and the public (Ojameruaye 2016) over **budget padding**. They blamed the President of the Federal Republic of Nigeria Muhammadu Buhari for the padding. As earlier stated padding is an international practice mostly by third world/poor countries and it is regarded as a bad practice and padding process begins from MDAs. Bu even as bad as it is at the end of legislative work of 1st, 2nd and 3rd Readings by the National Assembly the appropriation bill was passed in the total sum of =N=6,077,680,000,000 (Six Trillion, Seventy-Seven Billion, Six Hundred and Eighty Million Naira) only. When this approved budget sum by the National is compared with the total estimated budget sum presented by the executive arm, there was just a small reduction over the 2016 Appropriation bill.

After the passage of Appropriation bill, the National Assembly returned the budget document to the President for his assent as represented by the return arrow in Stage 4 to 3 of Fig 1 above. For instance, like in any other years, in 2016 within the limits of Constitutional grant of 30 days to the President to study and point out areas of disagreement (if any), the President made some observations and recommendations to the National Assembly before 2016 budget was signed into law.

Another feature of Nigerian Budget which needs legislative action was the making of *Supplementary Budgets*. It arose because of a strategy describe by Wildavsky and Caiden (1974) as ‘*coercive deficiency*’. It is a strategy where MDAs manipulate priorities by spending until they run out of funds in critical areas or unforeseen needs force a supplementary appropriation to be made within the same year in which the main budget was approved. For example in 2009 the President assented to the 2009 Appropriation Act in March 2009. This was followed by the first supplementary budget which was made in August 2009 for the purpose of providing funds for unforeseen emergency demands that was not provided for in the 2009 Appropriation Act such as the negotiated Academic Staff Union of Universities (ASUU) settlement fund, amnesty initiative fund in the Niger Delta etc. In spite of this there was a second supplementary budget, which was made in late 2009. This was primarily made to tackle the problems from the Niger Delta, as well as other critical infrastructure and social palliatives ([www.cbn.gov.ng/Monetry policy/Fiscal/2009.asp](http://www.cbn.gov.ng/Monetry_policy/Fiscal/2009.asp)). From the forgoing, budgeting was and is not a once and for all activity in a year. Adjustments occur as crucial problems that need urgent solutions arise.

It is also interesting to note that in spite of the falling oil price in the international market and consequently reduced income to government, Nigeria still maintained over bloated budget because of increased number of elected public officers and their political appointees especially under civil regimes. For instance, in the Executive arm a Federal Ministry now has two ministers with several Personal Assistants (PAs) and Special Assistants (SAs). In the Legislative Arm there are several Legislative Aides. This makes recurrent expenditure to be more than capital expenditure. Associated with the number of legislative members and staff the salary of elected members is super high.

Another cause of high budget cost was increasing demand for constituency (social and economic) projects during civilian regimes (Table 2 below).

Table 1: Bloated recurrent and Capital expenditures in Nigeria

Year	Total Budget	Recurrent Expenditure	Capital Expenditure
2010	4.4 trillion	3,143.89 trillion	935.61 billion
2011	4.2 trillion	3,337.99	1,399.99 trillion
2012	4.7 trillion	3,357.21	1,146.75 trillion
2013	4,877 trillion	3,021.46 trillion	1,621.45 trillion
2014	4.642 trillion	3,532.72trillion	1,1102 trillion
2015	4.454 trillion	3,763.44	690.58 billion
2016	6.1 trillion	4,47 trillion	1,58 trillion
2017	7.3 trillion	5,6 trillion	2.24 trillion

Source: As approved by National Assembly-www.bugeit.com/data

Table2: Nigeria’s increasing budget and deficits

YEAR	BUDGET ESTIMATE	ACTUAL EXP (N)	VARIANCE / %	REGIME ERA
1991	38,666.40	66.584.40	-27,918.00 (72%)	Military
1992	52,035.90	92797.40	-40,761.50 (78 %)	Military
1993	112,100.50	191,228.90	-79,128.40 (71 %)	Military
1994	110,200.00	160,893.20	-50,693.20 (46%)	Military
1995	153,496,00	248,768.10	-95,272.10 (62%)	Military
1996	189,000.00	337,217.60	-148,217.60 (78 %)	Military
1997	276,723.20	428,215.20	-151,492.00 (55%)	Military

1998	367,917.00	487,113.40	-119,196.40 (32%)	Military
1999	358,103.20	947,690.00	-589,586.80 (165%)	Civilian
2000	664,735.30	701,059.40	-36,324.10 (5 %)	Civilian
2001	1,752,778.70	1,018,025.60	734,753.10 (-42%)	Civilian
2002	1,018,155.90	1,018,155.80	0.10 (0 %)	Civilian
2003	122,566.60	1,226,200.00	-1,103,643.40 (901 %)	Civilian
2004	1,302,231.00	1,426,200.00	-13,969.00 (10%)	Civilian
2005	1,799,938.20	1,822,100.00	-22,161.80 (1 %)	Civilian
2006	1,842, 587.70	2,026,000.00	-183,412.30 (10 %)	Civilian
2007	2.806 trillion	NA	NA	Civilian
2008	2,647 billion	2,806.74 billion		Civilian
2009	3,558 billion	3,054.34 billion		Civilian
2010	4.4 trillion	NA	NA	Civilian
2011	4.2 trillion	NA	NA	Civilian
2012	4.7 trillion	NA	NA	Civilian
2013	4,877 trillion	NA	NA	Civilian
2014	4.642 trillion	NA	NA	Civilian
2015	4.454 trillion	NA	NA	Civilian
2016	6.1 trillion	NA	NA	Civilian
2017	7.3 trillion	NA	NA	Civilian

Source: Gleaned by the Authors from Central Bank of Nigeria Annual Report, Central Bank of Nigeria Statistical Bulletin; www.cbn.gov.ng/Monetypolicy/Fiscal/2008.asp; Egbide and Agbude (2013); m.thenigerianvoice.com/.../a-comparative

In the face of increasing failing oil prices and recession in Nigeria, the government spent less than N4.454 trillion in 2015

2.2.5 Budget Implementation

The implementation of budget mostly lies with the executive arm of government. However before expenditure is done the Appropriation Act further states some conditions, and thus:-

The Accountant-General of the Federation shall, when authorized to do so by Warrants signed by the Minister charged with responsibility for finance, pay out of the Consolidated Revenue Fund of the Federation during the year ending on the 31st day of December 2016, the sums specified by the warrants, not exceeding in the aggregate =N=6,077,680,000,000 (Six Trillion, Seventy-Seven Billion, Six Hundred and Eighty Million Naira) only. Issue and appropriation of =N= 6,077,680,000,000 from the Consolidated Revenue Fund for 2016. (ii) The amount mentioned in subsection (1) of this section shall be appropriated to heads of expenditure as indicated in the Schedule to this Act. (iii) No part of the amount aforesaid shall be released from the Consolidated Revenue Fund of the Federation after the end of the year mentioned in subsection (1) of this section. 2 All amounts appropriated under this Act shall be released from the Consolidated Revenue Fund of the Federation only for the purpose specified in the Schedule to this Act. Release of funds from the Consolidated Revenue Fund. In the event that the implementation of any of the projects intended to be undertaken under this Act cannot be completed without virement, such virement shall only be effected with the prior approval of the National Assembly(Federal Government of Nigeria 2016 Appropriation Bill).[Underline mine for emphasis]

The point requiring emphasis here raises the question: - what is the importance of the provision that funds should not be released after the end of the year and that there should be no virement without the approval of the National Assembly? Usually the imperative to spend prompts “reciprocal influences between the MDAs and higher authorities. The higher authorities try to avoid over spending and the MDAs try to avoid under spending. As a result of this at the level of MDAs they develop counter strategies to protect their interest. Because they cannot carry-over unused funds to next year and to avoid losing it, they spend it quickly so that surplus cannot be reclaimed by the higher authority; they also spend to keep surplus for themselves. If there was unspent money there is a tendency that the higher authority will try to slash their budget in the following year to a lower level of previous actual expenditure. Those who return surplus to treasury are often seen as fools by those interested in getting surplus funds for private use. Notwithstanding, departments that always have cash at their disposal are also cautious not to spend their funds too early in the year so as not to lack funds during emergencies which may occur towards the end of the year. Probably it is because of the need to reduce the above sharp practices that the immediate past and present President that the Federal Government introduced “Treasury Single Account” (TSA) system in the whole of Nigeria by 2015. This has however been criticized because some people feel it has led to having idle money that is, inability to spend funds available in the mist of poverty and social and economic demands.

To avert padding and spending on projects or item that are not necessary and allow them spoil in a particular location or time, or not to undermine some very crucial projects needing funds because of some frivolous projects, the budget office assists MDAs in creating projects for inclusion in the budget. The Budget Office also monitors their implementation. This ensured only small surplus leaks. In this case MDAs often look out for greater flexibility by going for hard-to-spend projects to easier ones under recurrent expenditure. This has led to having recurrent expenditure always higher than capital expenditure (see Table 1) or capital funds are later transferred for recurrent. Frequent transfers reduce ability to reclaim surplus and keep straight account. It is believed that over the years,

The bulk of funds allocated to capital projects have been looted by political leaders and civil servants. And despite the efforts of the anti-graft agencies like the Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices and related offences Commission (ICPC), graft is still upwelling and looted funds are hardly recovered leaving the citizenry to bear the brunt (Ndujihe (2013).

To control the acts of looting the Appropriation Act disallows virement /transfer of funds from one subhead to another without the approval of the National Assembly. That way how much is being spent and why, can be tracked. It entails that at the budget execution stage, Ministries, Departments and Agencies are supposed to take necessary steps to apply and secure funds to carry out their respective projects.

The downward trend in revenue collection as was shown when Jonathan Goodluck was President of the Federal Republic of Nigeria in the 2009 (Subsection 2.2.4 above), as well as under President Mohammadu Buhari for the implementation of the 2017 budget seem to be a reoccurring phenomenon. In Buhari’s presentation of 2018 Budget to the National Assembly he narrated the experience of his administration on poor revenue remittance thus

48. *On revenue performance, collections were 14 percent below target as of September 2017, mainly due to the shortfall in non-oil revenues. 49. A key revenue shortfall was from Independent Revenues; only 155.14 billion Naira was remitted by September 2017 as against the projected pro-rated sum of 605.87 billion Naira. This represents a 74 percent shortfall, which is very disappointing.*

50. *This recurring issue of under-remittance of operating surpluses by State Owned Entities is absolutely unacceptable. You will all recall that in September 2017, the Joint Admissions and Matriculation Board (JAMB) announced that they were ready to remit 7.8 billion Naira back to the Government. The shocking discovery was that in the last decades, JAMB only remitted an aggregate of 51 million Naira. This clearly illustrates the abuses that occur in 12 State Owned Entities as well as their potential for increased Independent Revenues,*

Budgets have two sides the revenue and expenditure sides. Haven seen the revenue side, the Buhari experience further informed us that

52. *... a total of 450 billion Naira of the capital vote had been released as at the end of October 2017. With your support for our funding plan, our target is to release up to 50% of the capital vote for MDAs by the year's end. We have prioritized payments of our counterpart obligations on our concessionary loans, as well as funding of critical infrastructure and other projects with socio-economic benefits. Furthermore, MDAs have made provisions to carry over to the 2018 Budget, capital projects that are not likely to be fully funded by year-end 2017, to ensure project continuity.*

53. *Regrettably, the late passage of the 2017 Budget has significantly constrained budget implementation. As you are aware, the 1999 Constitution authorized necessary Federal Government expenditures prior to the 12th of June, 2017 when the 2017 Appropriation Act was signed into law. This year, we have worked very hard to achieve an earlier submission of the Medium-term Expenditure Framework and Fiscal Strategy Paper (MTEF/FSP), and the 2018 Appropriation Bill. Our efforts were to avail the National Assembly with sufficient time to perform its important duty of passing the Appropriation Bill into law, hopefully by the 1st of January, 2018. It is in this spirit that I solicit the cooperation of the Legislature in our efforts to return to a more predictable budget cycle that runs from January to December.*

Yet like all previous regimes the President Buhari looks forward with hope and presented early Appropriation Bill for 2018. The hope was expressed as follows:-

By all accounts, 2018 is expected to be a year of better outcomes. The tepid economic recovery is expected to pick up pace and the global political terrain is expected to stabilize. The International Monetary Fund (IMF) is anticipating global GDP growth of 3.7 percent in 2018. Emerging markets and developing economies are expected to lead with GDP growth of 4.9 percent, while advanced economies are projected to grow at a slower rate of 2 percent.

2.2.6 Budget Monitoring and Evaluation Stage

In spite of the optimism, government budgets in Nigeria have consistently failed over the years to meet the yearnings of Nigerians. Following the passage of the 2017 Appropriation bill into law the question was, would Nigerian public allow the 2017 (which would end in

May 2018) and now 2018 budgets to succeed or fail?. In view of this it is at this stage that the legal mechanisms that have been established by government to ensure that the principles of good governance are complied with for quality service delivery in the process of budget implementation are made active. The fact that reliable information is very significant in programme and project management then informing the Public about the budget is key to its success. Consequently as soon as the budgets were enacted into Appropriation Act it was made available for public consumption. The budget was printed and distributed to the Ministries and Department in form of approved estimates to guide their work. For the purpose of issues to be addressed for example by Fiscal Responsibility Act 2007; the issue of Sovereign Wealth Fund that has been a constant Source of conflict between the Federal government and the States; issues that are supposed to be addressed by Public Procurement Act 2007; and Cost of Monitoring and Auditing (during Implementation Phase); Government enacted the "Freedom of Information Act" for members of the public to formally write and request for data relating to government operations. In addition to the laws, the Government has gone further to establish agencies to provide some necessary services as follows:-

- i) Committees for public accounting: House Committees and Audit Departments, and
- ii) Due Process Office for ensuring compliance with due process. The purpose is to control expenditure in government in line approved budget document (the Appropriate Act).

The challenge and weakness of budgeting in Nigeria is at this stage of implementation. It is this stage that Nigerians are to blow whistle wherever there was and there is mismanagement. Yet not much has been heard about whistle blowing. Nigerians do not directly speak against budget indiscipline from their various social and economic groups. They are supposed to speak after engaging in some monitoring activities for purpose of ascertaining whether the amounts set aside for specific social projects, such as roads, hospitals, schools, or markets have been used accordingly; they are also to assess the quality of the job done and the amount expended to see if the policy goal associated with the budget allocation was achieved effectively. In most cases where they speak it is not efficiently and effectively done. Also towards the end of 2017 it became clear that the above mechanism did not give Nigeria the expected good result. Following reviews of the 2017 situation, President Buhari stated additional measures that would be taken for good implementation of 2018 budget thus:-

if only people would do the right thing. We all need to play our role to ensure the right thing is done. I would also like to remind Nigerians that the Whistle Blower lines are still open.

51. Accordingly, I have directed the Economic Management Team (EMT) to review the fiscal profiles of these agencies, to ensure strict compliance with the applicable Executive Orders and Financial Regulations. There may be a need to consider a review of the Fiscal Responsibility Act and the Executive will be approaching the National Assembly on this issue in due course.

From the forgoing, the people and government are expected to cooperate more than before to make monitoring and evaluation for good governance a success.

States, Local Government and Budgeting in Nigeria

Nigeria is a federal republic. This makes budgeting by the Federal Government an exclusive Federal Government affair detailing federal annual development plan. As a result, each tier of Government prepares her own exclusive budget. Except for sure the States and local

governments rely on the federal government for subvention to compliment internally generated revenue at the State and local government levels. Consequently, there are always fewer funds at the disposal of the federal government. And a rise in federal revenue has a positive impact on local and State government's subvention from the Federation Account. However, the negative impact of falling oil price and recession on federal revenue, made States and Local government to consider improving their internally generated revenue a priority and indeed a necessity. While the States adopt the same pattern of budgeting as obtained at the federal level and gets regular subvention from the federal government, unfortunately, the States have not been able to regularly give 10% of their internally generated revenue as subvention to local government as expected by law.

The States also use incremental and padding system of budget. The budgeting process at the State level begins when the Department of Budget / State Planning Commission issues a circular letter to MDAs around August of each year. The budget call circular informs MDAs to prepare and submit their advance proposals on or before a specific date at least within a month. The circular also contains time for discussion by the Department of Budget with MDAs, date for submission of Draft Budget to the State Executive Council and date for submission to the State House of Assembly. However at the Local Government level, budgeting and financial management is guided by a document called Financial Memoranda (FM) issued by the State Ministry or Bureau for Local Government. To some analyst the FM has been criticized as colonial, extensive in powers, cumbersome, and rigid, as such inadequate in modern times *accounting standards* and democratic governance. And in spite of reviews which the FM has gone through, the preparation of budgets and implementation of budgets by Local Government still required some approval from the State government. Similarly, based on a Federal law the Accounts of Local Government requires auditing by appointees of the State Government (Federal Government of Nigeria 1989). Further more, States have also promulgated a law establishing the Office of Local Government Auditor General and some States have rejected the call moves for constitutional amendment to give local government financial autonomy. As a result analyst feel that Local government autonomy and initiative for their respective development programmes will continue to be constrained.

3.0 Conclusion

We examined the budgeting process in Nigeria and observed that the three tiers of government in Nigeria and their Executive and legislative arms of government are constitutionally vested the responsibility to prepare and implement budgets. At the national and State levels the arms of government have constitutional powers to collaborate to make appropriation laws for their respective tier of government. However there is always a controversy associated with padding in budget making process. Padding is an activity associated with traditional incremental budgeting technique in poor democratic environment to resolve conflicts of interest between individuals and between executive and legislative arms of government. In line with the principles of democracy particularly freedom of expression of opinions, the makers of the Constitution envisage controversy, agreements and disagreement before a law is passed, hence the granting of 30 days to the President to study and point out areas of disagreement (if any) in the bill from the National Assembly before the President signs the appropriation bill into law or returns it to the National Assembly for further necessary action. However, largely the Appropriation law (budget) is to be directly implemented by the executive arm of government. This study also found that in spite of the falling oil price in the international market and consequently reduced income to government, the demand for constituency, social and economic projects continue to increase, as well as the

budgetary estimates allocated to each project roused with deficit financing in budgets. There was also over spending during transition years (as evidenced in 1999 and 2003) than it was for other years. The burgoos budget as output of the National Assembly even after complaining against budget padding is a reflection of the increasing socio-economic challenges in Nigeria and it is the expression of the people's desired projects through their representatives. In turn the oversight function of the legislature and times the cutting down of the total sum in budgets by the National Assembly is to tell Nigerians to be in terms with the reality of failing price of oil/low income to government; and in spite of the anticipation of increase in internally generated revenue to finance budgets. This paper further observes that planning in a vacuum by using the incremental budgeting system is not enough. This system in most cases does not require the use of genuine sufficient project data and analysis by ultimate decision makers.

4.0 Recommendations

In view of the need for an objective, reasoned process of budgeting and implementation, the following are recommended:-

- (i) Performance Planning Budgeting System (PPBS) should be given more attention in practice.
- (ii) In addition to the monitoring role by government institutions, Nigerian public should take advantage of "Freedom of Information Act" to monitor project's implementation to ensure there is both pre and post auditing; compliance with due process activities; presentation of revenue collection reports on government agencies operations to raise alarm where necessary. And where there are corrupt practices the attention of anti-corruption agencies and the Courts be invited to take over for further investigation and prosecution at the law courts.
- (iii) There should be media advocacy for proper action to be taken by the relevant agencies in respect of issues of concern. This should be done in each of the budget making stages. The public therefore has the opportunity to give inputs for the budget to be a budget of change and more comprehensive, especially at the National Assembly's public presentations and hearings.

References

- Abba, U.E.** (2008) *Modern Public Administration* (Onitsha: Abbot Books Ltd)
- Abubakar, H.I.** (1985) *Budgeting in Government Theory and Practice*
- Anaebonam, W.** April 27, 2014 *On Nigeria's Budget processes: Who benefits?*
- Egbide, B. and Agbude G A.** (2013) *Budget Discipline in Nigeria: A Critical Evaluation of Military and Civilian Regimes* ACTA UNIVERSITATIS DANUBIUS AUDŒ, Vol. 9, no 1, pp. 91 -Retrieved 21/10/2017 from [journals.univ-danubius.ro?article>view](http://journals.univ-danubius.ro?article=view)
- Federal Government of Nigeria.** (1989). Local Government (Basic Constitutional and Transition Provision) Decree 43_ The Constitution of Federal republic of Nigeria 1999 (as Amended) *2016 Appropriation Act*
- Gongola State** (1989). Local Government Financial Memoranda (FM)
- Henry, N.** (2007) *Public Administration and Public Affairs* (10th Ed) (New Delhi: Prentice Hall of India)
- Lindblom, C. E.** (1959) The Science of muddling through, *Public Administration Review* No.19- Retrieved 21/10/2017 from <https://publicadministrationreview.org>t...>
- Muhammadu, B.** (2018) *2018 Budget Speech: Budget of Consolidation* Delivered at the Joint Session of the National Assembly, Abuja Tuesday, 7th of November 2017

- Ndujihe C.** (2013). FG, states, LGAs squander N80 trn in 9 years -Retrieved 21/10/2017 from <http://www.vanguardngr.com/2013/01/fg-states-lgas-squander-n80-trn-in-9-years/>
- Obara, L.C.** (2013). *Budget Preparation and Implementation in the Nigerian Public Sector* Research Journal of Finance and Accounting www.iiste.org ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online) Vol.4, No.16, 2013 50
- Ojameruaye E.** (2016). *A Review of the 2016 FGN Budget and Recommendation for Improvement: Part I* –Retrieved 21/10/2017 from [chatafrik.com>articles>nigerian-affairs](http://chatafrik.com/articles/nigerian-affairs)
- Omolehinwa, E.** (2014) *PUBLIC FINANCE MANAGEMENT: Issues and Challenges on Budget Performance* Being a Paper Presented At ICAN Symposium on Federal Government of Nigeria 2014 Budget at Muson Centre, Onikan Lagos on July 15,2014
- Pitt, D. and MacRae S.** (1980) *Public Administration an Introduction* (London: Pitman Business Education)
- Premium Times** December 27 2015) *2016 Budget Speech; The Budget of Change by Muhammadu Buhari*
- Wildavsky, A and Caiden N.** (1974) *Planning and Budgeting in poor Countries: Comparative studies in Behavioural Sciences* (New York: A Wiley Interscience Publication)
www.bugit.com/data