



Budgetary Processes and The Challenges of Budget Implementation in Nigeria

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ABSTRACT

This seminar paper seeks to review the practice of budgeting and the challenges of budget implementation in Nigeria. The objectives of this paper is to empirically suggest ways of adopting effective budgetary processes in Nigeria in order to secure best value in terms of allocation and the utilization of scarce resources in Nigeria and introduce new patterns of budgetary processes in order to break away from old order. This paper seeks to achieve this by advocating the concept of value Money Audit, due process and cost Audit. These concepts if properly applied alongside good public procurement philosophy will engender a strong legal, organizational and professional framework to make budgeting and budget implementation in the Nigerian Public Sector robust and effective. Budget in Nigeria has continued to spring up a lot of controversies concerning the modality for its preparation and administration as a result of the continuous change in government and the consequential change in policy and ideology. Nigeria's yearly budget has continued to climb as a consequence of high earnings from crude oil disposal and production, while public amenities such as decent roads, power, health, education, and communication are in high demand. Consequently, there is a pressing need to ensure appropriate level of economic development in the country as a whole. It's worth noting that government spending has been rising for the past three decades. The secondary source of data collection was used where the exploratory research design was adopted. Budgeting has been marred with different problems which include; corruption and mismanagement, skilled manpower, lack of civil society participation, finance among others. Government in an attempt to achieve macro-economic goals and objectives of price stability, economic growth, stable and full employment, infrastructural development as well as balance of payments equilibrium, initiates several types of budget such as balanced, surplus, deficit, development as well as supplementary budget. The study recommends that government should ensure the strict adherence to due process in the implementation of its annual budget. Therefore, the paper strongly recommend professionalism in post project review technique of value for money concept, performance measurement and benchmarking so that the continuous process and improvement suggested here can be imbibed as a national corporate culture.

Keywords: Budgeting, Finance, Development, Planning, Implementation.

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1. INTRODUCTION

A budget is a document that lists all the expected revenue as well as intended expenditure for a period of time. A budget is the core of public finance in a country. Annually, the federal, state and local governments of Nigeria prepare budget to itemize their basic expenditure profile, revenue estimation, channels and evaluation. After a budget has been reviewed and approved by relevant arms of government, it moves to the implementation stage. The birth of the Keynesian Economics School of thought that emerged immediately at the end of the Great Economic Depression of the 1930s shifted the attention of several countries to the relevance of government involvement in stabilizing and regulating aggregates of the general economy.

Two main categories of economic policies have been widely employed over a vast period of time. The intention is to stabilize an economy and achieve some essential macroeconomic goals and objectives in specific terms; these are fiscal and monetary policies. Although the two policies differ in terms of their structure and the application of their fundamental instruments, they are both essentially targeted at achieving similar goals and objectives of maintaining economic stability in most countries (Beetsma& Jensen 2005). Nwala and Ogboji (2020) report that budget in Nigeria has continued to spring up a lot of controversies concerning the modality for its preparation and administration as a result of the continuous change in government and the consequential change in policy and ideology. Those authors assert that there was the controversy in 2013 over the oil benchmark. There was some delay in the passage of the 2013 budget by the National Assembly as a result of the dispute over the price that had to be used for budgeting purposes.

Budget is considered as a framework or system for estimating revenue and expenditures for a certain time period, usually one fiscal year. It is a document that lays out the planned policies and programs aimed at achieving the government's developmental goals. The success of any budget is determined by how well it is implemented. A budget is designed and expected to stimulate growth in the production sector and check inflationary pressure. In addition, it should be capable of correcting any balance of payment deficit and maintaining a reasonable foreign exchange reserve. However, when there are delays and imbalances in budgeting a nation's journey to economic prosperity is slackened (Nwala&Ogboji, 2020).

Statement of the Problem

The effectiveness of any budget could easily be felt by the citizenry when it is well articulated and implemented. However in Nigeria, the challenges faced by budget processes and implementation is related to non functioning performance and execution of a specific revenue and expenditure estimation as documented in the budget in Nigeria thus this poor principle and pattern that has been practised over the years have stalled development and contributed to the underdevelopment that have befalling the country for decades now.



2. METHODOLOGY

In terms of the research design, this work is an exploratory research which focuses on the use of secondary data. The basic data collection instrument used was secondary source of documented evidence. These include official sources from the Nigerian government alongside relevant publications such as periodicals, books, working papers and budget papers.

The Concept of Budgeting Processes And Implementation

Budget undergoes some processes before it becomes both a law and an economic tool. Budgetary process involves all centres, programmes and administrative units of an entity in the development of periodic budget. It refers to the totality of the processes a budget passes through before it finally becomes a document. It involves all the executive and legislative processes, that is the collection of estimates from the various government departments to the defense before the various committees of the legislature and debates in the floor of the Houses, the passage into law and the final implementation and monitoring (Lockyer, 2013).

Preparation of budget primarily involves identification and setting of developmental goals. That is, it involves setting budgetary thrusts and policies based on the development plan. In the federal government, the responsibility of the president for the preparation and submission of budget is well established. At the state level, it is the statutory responsibility of the governor to prepare and submit the budget. In the local government, the chairman forms the government and invariably has complete control over budget preparation but assisted by the Finance Committee and other department heads. The process varies from state to state and is largely dependent on the amount of autonomy enjoyed by the council from the state government. Nevertheless, there is a standard that runs across most local governments in the country. The budget process commences with a call circular from the Executive Committee consisting the Chairman, the Supervisory Councilors and other officials (Secretary, Treasurer, Head of Personnel and Legal Advisers). They call on all relevant departmental heads to prepare estimates for the coming fiscal year. Subsequently, the Heads of Departments prepare estimates of expenditure in line with the goals and the estimates of revenue expected as well as the sources expected.

As soon as this process is concluded, each department hands its own estimate to the local treasurer or finance officer (Adeniyi, 2008). The executive having gone through the budget estimates present it to legislature for approval. The method of approval also varies from one council to the other, that is, while some require a simple majority, others would require two-thirds majority for the approval. In every democratic government, the legislature may approve or reject the proposals of the executive and in some cases, may modify the executive proposals. In this case, the legislature holds the executive accountable. The power of the purse came to reside in the legislature in order to prevent the executive from imposing willful and arbitrary tax payments on its people. It is an expression of ultimate legislative authority. Having approved by the legislature, the budget is forwarded to the state office for local government committee for a review. This practice varies from one state to another. In some states, the budget estimate is reviewed before it is sent to the legislative council while in some others; it is the approved Budget that is sent to the committee for approval.



The essence of the review is to ensure that the council budget estimate meets with the laid down procedure and practice. Also, it ensures that the budget is in conformity with the developmental plans of both the local and state governments. This is another indication that shows the state has an input in the running of local government council (Adewale, 2010). The next level is that of **budget implementation**. It is a crucial stage for both local and state governments. This is because money at this point is disbursed to the various departments for expenditure on overhead costs. Suffice it to say that the budget proceeds are spent on either capital or recurrent expenditure. Capital expenditure means the fund spent on developmental projects within the fiscal year while recurrent expenditure refers to fund spent on overhead cost like wages, rent, etc.

In certain states, governors do not necessarily have budget preparation and submission authority, but in some others, the share budget-making authority is shared between the state and other elected administrative officers, civil servants, political appointees, legislative leaders, or a mix of these officials. Preparations start from the federal government level and with the relevant agencies. The agencies start by evaluating their programs and deciding which ones need to be revised and whether new ones should be proposed. At the same time, the relevant staffs in the presidency makes predictions about expected economic developments in order to assess potential income under current tax legislation (Lockyer, 2013).

Ministerial approval, executive approval, and parliamentary approval are the three steps of budget approval in the public sector. The budget planning process begins five months prior to the commencement of the fiscal year. The Ministry of Budget and Planning issues guidelines in the form of circulars. When each ministry and extra-ministerial department receives the circular requesting budget estimates, each ministry and extra-ministerial department forms a departmental budget estimate committee. The ministerial head of finance and personnel chairs the committee. Its role is to examine and reconcile budget plans made by various departmental branches, divisions, and units of the ministry.

Principles of Budgeting

There are certain fundamental principles that accompany the budgeting process. This is because of its importance in the overall development of a country. These principles aimed at making the entire process transparent and participatory. They include:

- i. **Comprehensiveness:** Budget should be able to contain all financial estimates that government intends to work with. There is need to ensure that no other funds or extra budgetary expenditure is entertained.
- ii. **Clarity:** The documents called budget should be very clear for the people to understand and be able to make input.
- iii. **Regularity:** Regularity should be maintained in the budget process. It means to present budget at a time suitable to tally with the beginning of every fiscal year and also to last for a specified period.
- iv. **Publicity:** Budget should be given an open publicity. The reason is that it affects the lives of the people and how their wealth is distributed and expend.
- v. **Exclusiveness:** Budgeting should be seen as an exclusive financial process and nothing else.



- vi. Accuracy: There is need to ensure that the revenue and expenditure in a budget is correctly estimated. In essence, the estimates should be close enough to reality.
- vii. Adequacy: Budget estimates should represent the needs of the government and the citizens. Budget also should be able to identify altogether the aspirations and problems of the government and the economy.

Budget also is an important tool in governance and most relevant to the economic policy. It is the second most important document after the constitution in any nation. It signifies that the budget is an expression of the constitution and statutes of a government which endow the executive and legislature with designated financial and managerial responsibilities (Jadranka & Marina, 2013).

Budgeting Process

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Problems of Local Government Budgeting

Corruption and mismanagement Corruption is one of the major problems facing the local government. In fact, a mere mention of the local government exudes corruption. The popular myth propagated by the council officials is that the councils are always short of funds. No doubt, the heavy funding that runs into billions of Naira as seen from the tables may not be enough because of the high level of corruption in the councils.

It has also been observed that most local government councils do not accord adequate regard to the budget process. The fall out of this situation is the indiscriminate and unplanned execution of projects. The state governments which would have served as a check are not free from this cankerworm. Evidently, there is contract scams in all local government councils in Nigeria. These contracts are inflated and worse still, the projects are not executed and thereby defeating the essence of budgets (Batty, 2013).

Skilled manpower Majority of local governments today are manned by officials who do not possess the requisite leadership and managerial skills to deliver the gains of democracy to the people. Section 7(4) of the 1999 constitution makes provision that the qualification for election into the offices of the Chairman and Councilors shall be the same as that of the election into the Houses of Assembly of a state. The constitution puts the minimum educational qualification for the election into the House of Assembly of a state as school certificate. However, this principle have not been followed and as such, made the councils the dumping ground for illiterates or a starting point for political toddlers.

Lack of civil society participation the level of participation by the people is highly limited especially the local governments located at the rural areas. The reason is attributed to high illiteracy level and the poverty rate. Thus, the psyche of the people is very low. In addition, there is no law that encourages civil society participation in governance and also no access to information and participation. In the absence of this, the civil society, no matter how vibrant and enlightened, cannot achieve anything (Brown & Howard, 2014).



Finance is another area of concern. Most of the local councils sources of revenue have been taken over by the state government. Some of these councils also are too small in size and thus, have little or no resources from which to generate revenue internally. The internally generated revenue of these councils is too small to pay the wages and salaries of their junior staff not to talk of embarking on any meaningful projects. Moreover, the 10% of the internally generated revenue of the state that is supposed to be given to local council is not forthcoming (Earnest, 2014).

3. THE CHALLENGES OF BUDGETARY PROCESSES AND IMPLEMENTATION IN NIGERIA

Unrealistic Budget

Often times, projects inserted into our budget are elaborate and unrealistic. When such budget enters the implementation phase, these approved white elephant projects become difficult to execute and maintain. They often drag and are passed over from budget to budget effectively affecting the overall performance of such budgets. We often hear of 60%,50% budget performance, and the likes which indicate the government spending for that fiscal year falls well below the intended and approved limits.

Extreme Uncertainty Concerning Available Resources

It is known that some of the factors on which our budgets are made are often unreliable and prone to sudden changes, factors such as the rate of foreign exchange and also the price of crude oil can significantly impact the performance of our national budget.

Extra-Budgetary Funds outside the Budget Process, Hoarded By Spending Units

The aim of preparing budgets is to have a guide on revenue generation and spending so as to prevent chaos. Every arm, tier, and agency of government prepares its own budget for the fiscal year and they are not expected to spend above the approved limits. Often times, some agencies of government go against this and spend money which has not been approved for them.

Late Budget Preparation and Approval

This is among the key problems of budget implementation in Nigeria. As the budgeting process is a yearly occurrence, it is expected that to know the process will be well enshrined in our democracy and is carried out smoothly each year. This has proven not to be the case. Every year we hear stories of late budget preparation and submission to the national assembly, delay in passing the budget on the part of the national assembly as well as the late signing of the approved budget by the executive led by the president. This process is often chaotic leading to several negative allegations and accusations from all parties involved.

Lack of Adequate Monitoring

Often times when projects are approved and money is disbursed there is not proper monitoring mechanism in place to ensure that the money is judiciously used. This has created a cover for corrupt politicians and government officials to hide under and divert government funds. These projects that are not carried out are often then reinserted into next budget for another fiscal year and funds are again approved for them. This creates an opening through which government funds are continually siphoned.



Significant Discrepancy between Actual and Reported Expenditure for Certain Activities

Under-reporting on project status are some of the vices government agencies that execute projects in Nigeria indulge in. They tend to intentionally lower their progress reports on projects they are handling so that they can continue to inflate costs and collect more money from government. Some even go as far as quoting significantly higher amounts than they have spent on such projects.

Lack of Civil Society Involvement in the Budget Preparation and Implementation Process in Nigeria Lack of Transparency and Accountability

The primary role of government is to carry out projects and activities that are aimed at improving the quality of lives of citizens in the country. It is therefore important that citizens through civil societies and organisations are involved in the entire budgetary process. This will ensure that essential projects that will have most impact of the living conditions of citizens.

Non-Inclusion of Economic and Financial Experts in the Budgetary Process to accurately forecast Economic Variables

A budget is a futuristic document hence it is important that all the parameters used in its formulation are as close to reality as possible so as to ensure the budget performs well. Hence, the best minds in local and global economics and finance are supposed to be involved in the preparation of the budget. This is not the case in Nigeria it is one of the reasons why our budgets fail to perform well.

Lack of Transparency and Accountability

Lack of transparency and accountability stand at the top among the problems of budget implementation in Nigeria. Budgetary processes in Nigeria is often carried out secretly. Only the total sum approved is announced. The relevant government agencies that are supposed to display the breakdown of the budget will refuse to do so until much late in the year when budget is far spent and public interests have waned.

4. PROSPECTS OF BUDGET DEVELOPMENT IN NIGERIA

1. The grassroot government should be given more consideration as they are closer to the people and will be able to meet their needs quicker.
2. Corruption should be fought with all power and might. However, corruption in Nigeria can only be solved when individuals start changing themselves first. It is not a 'top' problem. It is a general problem, since it is people from the bottom that still rise to the top and continue the act.
3. Proper management, check and balances should be put in place to make it more difficult for one person to manipulate things to his or her advantage.
4. The improvements in technology would make things more transparent and monitoring easier. Technology is the solution to Nigeria's corruption problem. With technology, every citizen very soon would be able to monitor their government's activities and spending (Farounbi, 2014).



5. THE WAY FORWARD

1. A more transparent effective and inclusive budgetary process should be developed. This means that all relevant bodies, agencies, civil organizations and societies, as well as financial experts should be carried along during the process of developing our national budget. This will help improve our budget performance.
2. Adequate supervision of projects being executed should be put in place. It is not just enough for the government to approve and release money for projects. There should be proper monitoring of the execution of these projects at all stages so as to prevent fraud and poor project execution.
3. The feasibility and usefulness of each project to be accommodated in our budget should be considered before approval so as to prevent wastage of scarce resources through the abandonment of such projects when it becomes clear they cannot be executed.
4. Adequate record keeping of all transactions carried out from the budget should be ensured so that the whole process is transparent and credible.
5. Late preparation, passage and approval of our budget should be stopped completely.
6. The spending of government funds outside of the budget should be frowned at and any government official or political office holder caught indulging in such should be punished.
7. Lastly, the negative effect of budget implementation rate on the economy poses strong questions as to whether the government has enough capital to fund annual budgets. This can be effectively handled by increasing income drive of the government and supplementing annual budgets by way of internal and external borrowings

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