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Budgeting for Change in The Nigerian Public Sector: A Qualitative Research

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Abstract

This study examined the issue of budgeting in the Nigerian public sector. The methodology of the study is qualitative. Secondary sources of data are also utilized in the analysis. The general objective of the paper is to examine the issue of budgeting for change in the Nigerian public sector. The specific objectives include (i) to conduct a theoretical exposition on public sector budgeting - in Nigeria (ii) interrogate the empirical issues in the national budgetary processes in the country and (iii) make proposals on the way forward in budgeting for change in the Nigerian nation. Findings of the study indicate that the national budgetary processes in Nigeria are characterized by procedural indiscipline and crises of implementation. We highlighted in the study that the national budget could be deployed as a profound instrument of change in a specific nation's political economy. Furthermore, we underscored in the work the position of the national budget as a social contract compilation necessitating inclusiveness in its procedures, implementation and overall values.

Key Words: Budget, Budgeting, National Budgets, Budgetary Process, Fiscal Policy, Public Sector

Introduction

The Nigerian public sector is indeed characterized by an immensity of fiscal recklessness. The national budgetary processes and their deficiencies are accordingly central to the fiscal irresponsibility. But the budget should provide an effective strategy for the efficient financial management of any identifiable system or organization (Igbara, Tordee, Nwadike & Abuba, 2016, p.2). We underscore the point that the Nigerian public sector in this study is operationalized to focus the work on the activities of the central government in the country and its adjoining ministries, agencies and departments. The three arms of the central government, the executive, the legislature and the judiciary also come under the conceptual canopy of the public sector in this study. The central research question of the study therefore borders on how the effective management of the national budgetary processes in Nigeria may bring about sanity in fiscal policy administration in the country. The study is framed on interdisciplinary ambitions embedding the subject areas of accountancy and public administration within an overall context of public finance management.

The Budget Concept and Public-Sector Budgeting: Theoretical Issues

Budgeting is truly an important concept that is pertinent to any organization (Schadone, 2012). In very generic terms also, Igbara, Tordee, Nwadike and Abuba (2016, p.1) described the budget as the distribution of resources (most often money) for certain purposes and as the word can be attributed to mean “Pouch” or “Purse”, a budget therefore is what is in the pouch. A budget to these authors is a measurable manifestation of a strategy for a defined period of time. It may include deliberate sales volumes and revenues, resources, quantities, costs and expenses, assets, charges and cash flows. It expresses strategic plans of government, business units, organizations, and activities or events in demonstrable terms. Igbara, Tordee, Nwadike & Abuba (2016, p.3) further highlighted:

A budget is equally an authority for public officers to collect taxes, fees, charges and fines. It is also an authorization for the officials to spend public revenue as provided in the approved allocations and in accordance with the financial regulations. The authorization by the legislature promotes the principle of popular sovereignty. It also serves as an essential device for relating total expenditure to total revenue. A budget is a scientific means of quantification and measurement of services in terms of expenditure within a given period.

The budgeting concept in fact possesses a public-sector origin. According to Igboeche (2017, p.52) therefore, the term “budget” is derived from an old English word *Bougett* which means a sack or pouch. It was a leather bag from which the British Chancellor of Exchanqer extracted this paper to the Parliament, the government’s financial programme for the ensuing fiscal year. Citing Omolehinwa (2005) Malgwi and Unegbu (2012, p.1) presented the same historical context of budget origins as follows:

The word ‘budget’ originated from a French word, *bougette*, meaning little bag. In Britain, the word was used to describe the leather bag in which the Chancellor of the Exchequer used to carry to the parliament, the statement of government needs and sources. After several thoughts of consensus, the budget

became the document contained in the bags which represent plans of government expressed in money and submitted to legislature for approval.

For Sachdeva and Sogani (1980) in Ekhaton & Chima (2015, p.2), the budget in modern times means a financial scheme or statement or the document which contains estimates of revenue and expenditure for a year. Ekhaton and Chima (2015, p.2) further amplified:

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) in Ekhaton & Chima (2015, p.2) further highlighted 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. Ekhaton and Chima (2015, p. 2) hence itemized the characteristics of budgets as follows:

- 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.

Then according to Ugoh and Ukpere (2009, p.837) a budget is a comprehensive document that outlines what economic and non-economic activities a government wants to undertake with special focus on policies, objectives and strategies for accomplishments, that are substantiated with revenue and expenditure projections. Then tracing the roots of the budget system to the emergence of parliamentary control over the crown in Britain and citing Burkhead (1956), Ugoh and Ukpere (2009, p.837) explained that earlier, the kings, especially Charles II, used to impose taxes for the prosecution of wars and not for any other thing. But following the revolution of 1688 and the Bill of Rights in 1689 came the provision that no man shall be compelled to make any gift, loan or benevolence or tax without common consent by Act of Parliament. Hence, in order to enforce this, the parliament reserved the right to authorize all expenditures made by the crown. Ugoh and Ukpere (2009, p.837) further posited:

The extension of parliamentary control over government finance also came to embrace the supervision of the king's personal outlays. The civil list was established to separate the expenditures of the crown from the expenditures of the state. As a result, the annual specified grant control of the crown revenues and other modifications made by successive parliaments gave the complete

financial control of the crown to the parliament. This became the foundation of the budget system.

Budgeting in the Core Business Setting and Public Sector Budgets

What then are the differences between budgeting in the core business setting (the private sector) and public sector? Indeed, the fundamental similarities are deeper than the basic dissimilarities. Hence, according to Menifield (2009) in Schadone (2012), budgeting is a financial-planning function that creates accountability for the funds made available, to meet or work towards some goal. Invariably, there is always a goal attached to the budgeting function in all organizations; funds are involved, pronouncing the need for accountability. But according to Schadone (2012), in the private sector, budgets create *the bottom line*, or the amount needed to earn a profit, while in the public sector, budgets reflect the accountability and stewardship of tax revenue and its application towards maintaining and improving infrastructure. However, in the context of a developing economy which the Nigerian system typifies, we add to Schadone's position the fact that the public-sector budget is focused on developmental and well-being purposes for the citizens. Menifield (2009) in Schadone (2012) further amplified:

The primary difference of public versus private budgeting is that public budgets are prepared based on organizational needs and the funding for the budget is directed through tax revenue. Private organizations do not have the luxury of compulsory funding enjoyed by public organizations and must generate revenue through a prospective business model that maximizes income while minimizing expenditures. Both types of budgeting have intrinsic responsibilities inherent to the process, which, if ignored, could result in severe penalties to those responsible.

Budgeting is therefore a critical element in the managerial practices of all organizations. But our focus is squarely on public sector budgeting. Schadone (2012) therefore further added that budgeting is a form of financial planning. And a budget also serves as an important document that can be used to focus an organization towards specific goals and provides overall accountability in financial management. When therefore public officials responsible for public budgets in Nigeria (public officials at all levels), ignore the intrinsic responsibilities inherent in the budget process, does their irresponsibility attract severe penalties? Subsequent sections of our study will interrogate the surrounding issues in this question.

NIGERIA'S NATIONAL BUDGETS: EMPIRICAL DISCOURSES

Procedural Indiscipline and Crises of Implementation

Why has the national budgetary process in the Nigerian nation continued to witness procedural indiscipline and crises of implementation? According to Olaoye (2014, p.39) therefore, the Nigeria Federal budget has been facing a myriad of challenges dispossessing it of the powers to achieve its expected goals. We immediately opine that the national budget has not lived up to expectation (on annual bases) because the embedded processes have been abandoned to the whims and caprices of bureaucrats and politicians. Public sector budgeting is a systematic activity. And it is this systematic nature of the budget that makes it a central instrument of public sector financial administration (Ekhaton & Chima, 2015, p.3). In this system, the critical issues are to

actually originate from the concerns and welfare of the people (the tax payers) and the results of the processes entailed by the system are also subject to the approval of the people.

Hence, a national budget is not an annual ritual of governance and it must also be initiated, articulated, implemented and evaluated with minimal partisan political considerations. According to Ekeocha (2012) in Sam-Tsokwa and Ngara (2016, p.5), the ability to make timely and sensible fiscal choices is one of the hallmarks of good governance. It seems however, as if this ability is deficient in the public sector budgetary processes in Nigeria. According to Igbara, Tordee, Nwadike and Abuba (2016, p.2), another important purpose of a public-sector budget is public accountability, which is accomplished by a system of internal checks based on record-keeping. The budgetary system thus facilitates accountability by public officials of the public funds entrusted to them. Coordination is also provided by the budget to reconcile the various services and programmes competing for funds (Igbara, Tordee, Nwadike & Abuba, 2016, p.3). The continuing cases of monumental sleaze in the Nigerian public sector are accordingly attributable to a failure of the national budgetary mechanisms.

Consequently, the budgetary process in Nigeria, spanning articulation, presentation and approval, has rather been marked by *laissez-faire* tendencies. It is either the executive branch of government is not sending the appropriation bill in good time to the legislature (for scrutiny and authentication) or that the legislative arm of government is being characteristically easygoing about the members' work in the budgetary regards. According to Ekeocha (2012, p.68):

It is not certain when the budget process activities of the Executive begin in the year, but desk review shows that call for budget circular most times are issued in August by the Minister of Finance. With the bureaucratic "red-tape" in civil service, much time is wasted before the final compiled budget document is sent to the President for approval and onward submission to the National Assembly for scrutiny and approval in line with its statutory responsibility

Furthermore, the national budget in Nigeria is annually characterized by an avoidable executive-legislature tangle. In the viewpoints of Igboeche (2017, p.60) a national budget is the financial statement of the government's proposed expenditure and expected revenue during a particular period of time, usually a year. Such budgets are usually employed to attain the objectives of full employment in the economy, price stability, rising growth in national outputs, balance of payments equilibrium and equity in income distribution. In the Nigerian system however, the national budget is more generically known for its legislature-executive face-offs. Expenditure could be incurred outside budgetary provisions and revenues may also be banked and applicable funds subsequently utilized as the public servants consider appropriate.

To attain the ideal budgetary objectives, Igboeche (2017, p.60) continued, the budget must be seen as exhibiting certain features. It is a financial plan of operation, it is for a fixed period, it must be an authorization to collect revenue and incur expenditure and it must be objective. Hence, Igboeche further posited that budgeting is without doubt the commonest and most popular technique for controlling expenditure within

government business. It provides a basis for appraising government, ministries, departments and agencies' performances and forces government to think hard about their resource needs. But contrary to the foregoing ideal tendencies, the Nigerian budget has become a theoretical plan of operation, never strictly for a fixed period; it must not be an authorization but only a guide whose provisions could be side-lined without consequences. It could be treated as a subjective issue on which different officials present conflicting trajectories of interpretation depending on their connections within the political-administrative set up.

Additional Evidence of the Crises

Further to the above unbecoming scenarios, in April, 2017, the Senate of the Federal Republic of Nigeria alleged that the Nigeria Police had stolen all relevant documents needed for the processing and passage into law of the nation's 2017 budget. Subsequently, the Upper Legislative Chamber directed the Inspector-General of Police (IGP), Mr. Ibrahim Idris, to immediately return those documents and a computer which were taken away from the official residence of the chairman of the Senate Committee on Appropriations, Senator Danjuma Goje. The Police had invaded the residence of Goje, in respect of what turned out to be the wrong information from a whistle blower (Itua, 2017). The legislators had further accused the executive branch of government of complicity in the police raid on the residence of the Chairman of the Senate Committee on Appropriation. But it must be considered preposterous to declare a nation's national budgetary documents missing in the 21st century.

The Daily Times of Nigeria additionally recalled on this occasion that it would be the second time the nation's Appropriation Bill was declared missing, under President Muhammadu Buhari's administration. The first being the 2016 budget which the Senate also declared missing while the National Assembly members were on short recess. It took several accusations and counter accusations between the executive and the legislature, to get the impasse surrounding the budget sorted out, before the document was passed and assented to by the President (Emetoh, Omuonu & Olufemi, 2017). The Senate had as at that time accused the Senior Special Assistant to President Muhammadu Buhari on Senate Matters, Ita Enang, of changing the contents of the 2016 appropriation bill, before making the document available to the lawmakers. The President had earlier presented the budget proposals before a joint session of the National Assembly. The Senators posited that the version of the budget-estimates presented by the President was missing. The Senate later asked a committee to investigate the matter. The senators said Mr. Enang, (himself a former senator), changed the contents of the original document as presented by President Buhari (Adebayo, 2016). Essentially, these are the typical narratives that mark the public-sector budget process in the country.

Finally, Nigeria's Acting President, Yemi Osinbajo signed the nation's Appropriations Bill into Law on June 12, 2017, well over five months into the 2017 financial year. And what this means is that for over five months, the government was spending funds that were not appropriated (Komolafe, 2017). And this represents a recurring pattern in the country's public finance foundation. According to Komolafe:

While this misnomer is not new to Nigerians, it runs contrary to the dynamics of modern development which weighs heavily on effective planning and

management of resources in the attainment of development objectives. In developed nations, a situation where Appropriation Acts are enacted months into the fiscal year is now a thing of the past. In most countries, the time span from the start of the preparation of budget proposals by Ministries, Departments and Agencies (MDAs) to the enactment of the Appropriations Act, before the beginning of the financial year, takes at least 12 months and there are defined time limits for each of the milestones in the budget process. This is currently not the case in Nigeria.

Ehigiamusoe and Umar (2013, p.1) further highlighted that budget implementation in Nigeria has been a burning issue since the advent of democracy in 1999, as several reasons have been adduced for the poor performance of the federal government's capital budgets. These include, late presentation of the budget to the nation's parliament by the executive branch of government, untimely passage of the enabling bill into law by the parliament, and delayed assent to the budget by the President; late release of funds to and poor capacity utilization by Federal Ministries, Departments and Agencies (MDAs) and ineffectiveness in legislative oversight functions. Ehigiamusoe and Umar (2013) consequently, re-examined the role of legislative oversights in budget performance in the country and found that oversight activities had increased tremendously in Nigeria since 1999 but they were not very effective in reducing corruption and accelerating budget performance of Ministries, Departments and Agencies (MDAs). The extant situation thus calls for a public policy paradigm of budgeting for change. We consequently suggest some ways forward, in the following section of the study.

Proposals on the Way Forward: Budgeting for Change

We therefore strongly suggest that budgeting for change in Nigeria, calls for inclusive processes. We opine that the national budget is too important an issue to be left in the hands of professional politicians and anonymous bureaucrats. We highlight that despite its political purposes, a nation's budget fundamentally remains a financial document. And it is also a social contract compendium. A public-sector budget therefore must be designed to facilitate the promotion of government activities, in the light of the preferences of society, by engendering the reconciliation of conflicting programmes and methods in the attainment of some predetermined goals (Igbara, Tordee, Nwadike & Abuba, 2016, p.2). It must not therefore be reduced to an exclusive issue of executive-legislative feud as the finances of the state are intricately interwoven with the goals to be attained.

We consequently propose a model of public sector budgeting that centers on the human person. Indeed, the current Nigerian pattern of public sector budgeting merely focuses on infrastructure in isolation. Invariably, the recurrent sides of the budgets place emphases on overheads that hardly translate to further societal productivity. Budgeting for change in Nigeria we therefore recommend, must accommodate the imperatives of gender budgeting. Stotsky (2016, p.4) highlighted that gender budgeting is an approach to budgeting that uses fiscal policy and administration, to promote gender equality, and girls' and women's development. Hence, the national budget must in specific terms stipulate the aggregate figures for girls' and women's development in the country. It implies therefore that in the bid to supply the major needs of the Nigerian society, which include health, education, security, employment, essential amenities, agriculture

and aviation needs, there is an understandable expectation that the needs of some class of person in the society like the children and the woman, should be given priority attention in the making of budgets (Okeke, 2013, p. 61). The relevant civil society organizations will consequently monitor government's performance in these regards.

Furthermore, the goal of gender budgeting in its broadest conception is actually to integrate gender-oriented concerns into fiscal policies and administration (Stotsky, 2016, p.5). Therefore, although gender budgeting-efforts have so far largely focused on the needs of girls' and women, these efforts are not intended to detract from boys and men's important developmental needs, especially in the developing world (Stotsky, 2016, p.5). In our Nigerian setting also, this mechanism could be utilized in focusing attention on boys and men's issues. For instance, specific budgetary allocations in the health sector could be made to establish prostate-gland related health facilities in Nigeria, to conserve the foreign exchange that the country's male public officers expend in treating this particular problem abroad. Thus, we can see that gender budgeting can be firmly grounded in public finance principles (Stotsky, 2016, p.13).

Furthermore, we agree with Posner and Park (2007, p.24) that the executive (in Nigeria) should consider promoting greater sharing of information with legislative budget officials, in the interests of setting a common framework for the start of the budget process. According to Posner & Park, collaboration among technical staff serving both branches can help ensure a common foundation for the budget process across the board. And indeed, it needs to be emphasized that the debates bordering on the supremacy or otherwise of the legislature over budgetary matters is not particularly helpful under the current dire developmental scenarios in the Nigerian state. The important thing is to take the nation out of the woods of underdevelopment. What is required is positive change about the welfare of the people. The budget officials at the executive and legislative levels of government need to bear these germane developmental anxieties in mind.

We further propose that a statutory function be assigned to the Institute of Chartered Accountants of Nigeria (ICAN), the foremost professional body of accountants in the country, to publish an annual statement, on the performance of the previous year's national budget in Nigeria. The novelty of this proposal is in its being backed by statute. The ICAN annual statements we opine would be a benchmark for accountability-checks on government and sundry public-sector spenders, whose authority to engage in the utilization of public funds emanate from the extant appropriation act and all others. We propose that in its crusades against corruption in the country, the Economic and Financial Crimes Commission (EFCC), based on the annual ICAN statements shall decisively move against the officers that have been implicated in budget related sleaze and generic non-performance in budget related matters. A more critical role is envisaged for the nation's judiciary in such a dispensation. We therefore strongly suggest in this study that when public officials responsible for public budgets in Nigeria (public officials at all levels), ignore the intrinsic responsibilities inherent in the budget process; their irresponsibility must be made to attract severe penalties.

Conclusion

The need for reversing the incidence of fiscal recklessness in the Nigerian public sector has been re-echoed in this study. We have also underscored the importance of

cooperation on the parts of the executive and the legislature on budgetary issues and processes in the country. The work is anchored on the need to engender positive change in the national system of public finance management in Nigeria, through the instrumentalities of effective budgetary processes, patriotic budget implementation, spirited monitoring of budget performance and exemplary sanctioning of budget-related offences, via judicial processes. We found that the national budget could be deployed as a profound instrument of change in the national political economy. Furthermore, we underscored in the study the fact that the national budget is a social contract compilation necessitating inclusiveness in its procedures and implementation and also in terms of the benefits accruing from budgetary provisions. Budgeting for change in the Nigerian public sector therefore calls for such budgetary inclusion.

We have specifically recommended in this study that when public officials responsible for public budgets in Nigeria (public officials at all levels), ignore the intrinsic responsibilities inherent in the budget process; their irresponsibility must be made to attract severe penalties. It is our hope that the recommendations herein made on the way forward for discipline-based budget processes in the Nigerian national economy would be taken seriously by the appropriate authorities in the country and the germane proposals implemented accordingly.

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