

BUDGET IMPLEMENTATION AND GOOD GOVERNANCE IN NIGERIA

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Abstract

This paper is to examine budget implementation and good governance in Nigeria. In any polity, developed, developing or under-developed, the idea of governance conjures a theoretical undertone of the social contract and the common good which budget implementation is expected to assure. This paper contends that poor governance results to poor budget implementation which occurs when the desired result on the target beneficiaries is not realized. The paper after analyzing several ways through which governance can improve budget implementation in Nigeria, the paper recommends among other things, that all the parties concerned especially the target beneficiaries should be involved at the formulation stage of the budget so as to accommodate all inputs. This will go a long way in providing the needed commitment by all parties who will see the budget as originating from them.

Keywords: Budget, Budget Implementation, Good Governance, Budget Implementation Problem in Nigeria.

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Introduction

The National Budget is by far the most important economic tool formobilisation, allocation and management of resources. It means that if the nation mustdevelop, the nation must get it right with budgeting process. That is, the formulation,passage, implementation, monitoring, oversight and review must be done with utmostcaution and according to the rules otherwise; the budget will not achieve the desireddevelopment.The need for a well-informed and properlyimplemented budget cannot be overemphasized in the attainment of development for anation like Nigeria. Proper budget implementation which is the focus of this work willbring about efficiency and accountability in government, whereas poor budgetimplementation will bring about inefficiency and unaccountability.

Conceptualization

Budget

Nnamani (2006:91) averred that“the budget is a powerful tool of governance and an economic template for equitableand efficient allocation of resources using the parameters defined by the constitution”.

Charles T Horngren, Srikant M. Datar, and George Foster(2006), sees budget as a financial plan that includes calculating the revenues andexpenses of the state, a social or economic organization for a determined period of time.

“The budget may become an instrument for the amortization and optimization of the relationbetween revenues and expenses within an entity whereas the costs budgeting may become asystematic economical practice that demands carrying out a formal process by which financialresources are distributed in order to achieve the time-objectives for the forthcoming periods”(Gheorghe, 2001, p. 234)

Responsibility for the federal budget is shared between the executive andthe legislature. The executive is responsible for preparing the budget while thelegislature approves it. In Nigeria,

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the law requires the president to submit a budget for the next financial year to the National Assembly (legislature) for approval. The budget indicates how the Nigerian state will allocate scarce financial resources to secure the welfare, life and property of its citizens. It is imperative to note that through the national budget, the government sets out the principle of public expenditure that will realize the goals of economic reform programmes. Budgets are not just financial statements; they are political declarations of the commitment of the state to civil and political freedoms, as well as economic and social rights of the people. However, the budget process generally involves the following stages which include:

1. Budget formulation by the various Ministry, Department and Agencies (MDAs);
2. Call circulars to indicate the format for submission of the budgets proposal to Ministry of Finance.
3. Submission of budget from MDAs to Ministry of finance;
4. Hearing and defence of budget;
5. Determination of ceiling for each Ministry, Department and Agencies;
6. Alternatively, there may be participatory budgeting or a situation whereby ongoing projects are captured in the next year's budget;
7. Revenue forecast and projections;
8. Final preparation of budget and submission to the state or Federal Executive council;
9. Presentation to parliament;
10. Legislative process;
11. Implementation-warrant of releases and cash backing;
12. Monitoring and control;
13. Oversight- (Olutoye, 2013:8).

Budget Implementation

Igbuzor (2004) explained that the budget is perhaps the most important instrument in any modern state apart from the constitution. In this regard, the annual budget is therefore seen as a key instrument for the implementation of government programmes and policies. As an instrument of government economic policy, ensuring accountability and transparency becomes very vital for effective budget management.

Thus, budget implementation entails taking responsibility for specific accounting operation of government or institutions. It is the process of realization, accomplishment and execution of stated government annual goals or a process of completing financial plans. Incidentally, over the years, the implementation of the annual budget has been a source of concern for successive governments in Nigeria. Indeed, the Nigerian budgeting process suffers not so much from lack of technical expertise or design but from lack of commitment to good governance for the effective implementation of the budget. It is not surprising therefore that the state spends much time preparing a more elaborate and inclusive budget that is targeted at development and poverty reduction, yet it becomes almost impossible to be implemented.

In realization of the fact that most developing countries are engrossed with budget implementation challenges, Shand (2010) outlined several components of budget implementation System. According to him, these include: Release of funds, Control and monitoring of expenditure – MOF and ministries, Control and monitoring of revenues – MOF and ministries, Cash and debt management, Internal controls, including over payroll and procurement. In year modifications of the budget, In-year financial reporting, Reporting externally on budget implementation and External audit of budget implementation (Shand 2010, p. 5). The above listed components are very essential in the execution or implementation of budgets. It is very vital as each stage ensures probity and promotes efficiency. In fact, the major debacle of many budgets in Nigeria arises from the fact that these processes are often sabotaged, neglected or sometimes misuse as a result of corruption or high powered politics in Nigeria.

Good Governance

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In any polity, be it developed, developing or under-developed, the idea of governance conjures a theoretical undertone of the social contract and the common good. Onyishi (2009:115) averred that,

“One of the sacred injunctions of the social contract theory is that the common good should be administered to advance the welfare of the citizens of the country. To this extent, citizens acting generally and collectively reserve their right to monitor and seek explanation of how the custodians of the common good manage it”.

Governance is the act of governing. It relates to decisions that define expectations, grant power or verify performance. It consists of either a separate processor part of management or leadership process. These processes and systems are typically administered by a government which is made up of the executive, legislature and judiciary. On this note, a reasonable or rational purpose of governance might aim to assure (sometimes, on behalf of others) that an organisation produces a worthwhile good results while avoiding an undesirable pattern of bad circumstances.

According to Stoker (1998: 1), the moral and natural purpose of governance consists of assuring, on behalf of those governed a worthy pattern of good while avoiding an undesirable pattern of bad. The ideal purpose, obviously, would assure a perfect pattern of good with no bad.

A good government, following this line of thought, could consist of a set of inter-related positions exercising coercive power that assures, on behalf of those governed, a worthwhile pattern of good results while avoiding an undesirable pattern of bad circumstances, by making decisions that define expectations, grant power, and verify performance. Hence, Foresti and Wild (2010:2) citing Hilary Clinton in Nigeria on August 12, 2009, stated that: Again, to refer to president Obama’s speech, what Africa needs is not more strong men, it needs more strong democratic institutions that will stand the test of time. Without good governance, no amount of oil or no amount of aid, no amount of effort can guarantee Nigeria’s success. But with good governance, nothing can stop Nigeria. It’s the same message that I have carried in all of my meetings, including my meeting this afternoon with your president. The United States

supports the seven-point agenda for reform that was outlined by President Yar'Adua. We believe that delivering on roads and on electricity and on education and all the other points of that agenda will demonstrate the kind of concrete progress that the people of Nigeria are waiting for.

It is imperative to note that, governance has its basic tenets which in the views of Jega (1994:102), are; responsibility, responsiveness, accountability, transparency, discipline, effectiveness, efficiency, selflessness, impartial services and popular participation. In the views of Achebe (1983:1) "the trouble with Nigeria is simply and squarely a failure of leadership... the Nigerian problem is the unwillingness or the inability of its leaders to rise to the responsibility of true leadership".

Budget Implementation Problem in Nigeria.

Budget implementation problem occurs when the desired result on the target beneficiaries is not actualized. It is argued that, the problem with budget implementation in Nigeria's fourth republic can be traced to Nigeria's monoculture economy, deficit budgeting, delayed passages of the budget by the legislature and ineffective oversight by the national Assembly. Others are late budget release by the relevant authorities such as the federal ministry of finance office of accountant General of the federation as well as the central Bank and of course, the problem of corruption.

It is pertinent to note that there could be implementation gap as a result of many other factors which could arise from the budget implementers or the environment in which the budget policy has been made. Implementation gap arises from the budget itself when such budget emanates from the government rather than from the target groups. By this, it means that the planning is top-down. The implication of this is that, the target beneficiaries are not allowed to contribute to the formulation of the policies that affect their lives.

According to Ezenwafor (2011:43) "failure of the policy (budget) makers to take into consideration the social, political, economic and administrative variables when analyzing formulation creates a huge implementation gap".

Of the truth, corruption is the biggest problem that leads to implementation gap in Nigeria. Implementation problem comes in this regard when huge amount of money are earmarked for a project but the officers in charge of implementation steal such amount or a substantial part of the budgeted money. The recent example of budgetary fraud was exposed in the fuel subsidy issue. Marketers were accused of collecting budgetary allocation on fuel subsidy without actually importing fuel in Nigeria. As a result of corruption, many projects that are found in the budget are abandoned without convincing reasons, hence, dysfunctional government budgets year in, year out.

On the whole, some of the common problems encountered in implementing the budget of developing countries especially Nigeria are:

- (1). The approved budget is unrealistic, so actual spending must be less than authorized,
- (2). Extreme uncertainty concerning available resources.
- (3). Extra-budgetary funds outside the budget process, hoarded by spending unit,
- (4). Significant discrepancy between actual and reported expenditure,
- (5). Funds diverted to unauthorized purposes or private accounts,
- (6). Delayed publication of financial statements.

The above are some of the problems confronting the implementation of budgets in Nigeria. With these budgetary problems in place, governance becomes extremely difficult. On this note, Onyekpere (2012) submitted that “since the return to civil rule in 1999 there has never been a year that the capital budget attained 75% implementation. Ihovbere (2004:24) concurred that; “When the quality of governance is defined by poor leadership, limited vision, corruption and inefficiency, the delivery of policies would remain poor... the public sector in Nigeria is bedevilled by mis-governance and inability to deliver on established goals”.

Tackling the Implementation Problems of Budget

The problem with lack of robust implementation of budget could be identified right across the spectrum of activities leading up to budget approval, monitoring and implementation. This problem could be traced right from the selection of projects and programs to be included in the budget. What informs the taking of this decision? Ideally, the content of the budget should be driven first and foremost by the content of the medium term expenditure framework. This is a sort of a three-year rolling plan which imbues the budget process with the required focus so that projects that have an implementation cycle beyond a fiscal year are not forgotten in the subsequent budget. The budget details from the presidency to the legislature must be sent in good time to allow time for the discussions and negotiations that would eventually result into an approved budget. It is recommended that the legislature is carried along during budget articulation process. Budgeting is very vital and must be approached with all sense of diligence in Nigeria. The rate of economic development in the third world countries, especially Nigeria has been relatively slow and it needs to be accelerated through budget implementation. It must be emphasized that for effective and efficient budget implementation to be achieved, the right budget basics, strategy, and managerial accountability have to be in place, (Ezenwafor, 2011). The budget basics according to Ezenwafor are; A realistic budget that is implemented with few significant deviations from plan, Low level of corruption in public expenditures, High transparency in public finance and that; Public funds should be spent for authorized public purpose. Furthermore, there should be both internal and external control of the budget implementation process where spending units have reasonable certainty as to the funds that will be available.

The right strategy needed to get a successful budgeting process which is capped by problem-free implementation is also necessary. The right strategy will among other things be necessary because of the following reasons;

1. Basic reforms are likely to yield the greatest payoff in budget improvement.
2. Best practices should be long-term objectives and not short-term priorities.
3. Good ideas often fail because of bad strategy.

4. Reforms should build on existing institutions; they should not seek to imitate other countries.

5. Reform must be a continuous process, not one time fix.

Getting the budget sequence right is also essential for successful implementation. The managerial accountability needed to achieve a successful implementation may be summarised as follows:

a. Agencies may be permitted to carry over unused funds to next year.

b. Agencies have broad discretion in using funds.

c. Budgets are based on outputs/result.

d. Use of performance measures throughout the budget process.

e. Actual performance compared to targets.

f. Shift to accrual accounting and budgeting.

Theoretical Framework

Elite Theory

This study is anchored on elite theory. We are guided with the fact that institutions and structures of government are created and operated by human beings and the elites are at the centre of this activity. Thus, disconnection between the Nigerian elites and the people have provided ample leverage for these structures to operate to the whims and caprices of the elites. Hence, it has continued to stall democracy and more specifically the development agenda.

The elite theory as developed by Vilfredo Pareto, Roberto Michels, Gaetano Mosca and Jose Ortega Gassat among others, hinged on the fact that every society is composed of two classes of people (Varma 1975). The class that rule and the class that is been ruled. The elite theory lays much emphasis on the ruling class which is further divided into ruling and non-ruling

elites. For the theorists, the ruling elites are vital because they play critical role in determining the fate of the rest. In fact, Michels concluded that as a movement or party grows in size, more and more functions are to be delegated to an inner circle of leaders (elites), and, in course of time, the members of the organization are rendered less competent to direct and control them (Varma 1975).

Indeed, the ever growth in responsibility, function and the docility of the Nigerian society places the elites on better spot to engage in acts of manipulation and maneuvering of major state institutions to their advantage (Nwanegbo&Odigbo, 2015). These manipulations appear to have strangling effect on the budget implementation and national development. For instance, there seems to be huge gap between what Nigeria has earned annually, annual budgets projections since the return to democracy and the level of development.

Until recently, there is no public awareness that political elites especially the politicians and civil servants in Nigeria usually shared unspent budgetary allocations at the end of every fiscal year. Indeed, this may explain the elitist reluctance to sensibly spend and ensure full implementation of national budgets for the good of the people.

Conclusion

From the analysis carried out in this piece of work, it has been discovered that, budget implementation and governance are inextricably linked together. As a result, the poor budget implementation in Nigeria has inevitably led to poor governance. It is important to state that in as much as this work does not want to leave an impression that budget implementations in Nigeria is always a failure, the analysis carried out has exposed areas that need massive improvement. The problem of budget implementation will be a thing of the past when budget implementation is reviewed periodically to ensure that programmes are implemented effectively and to identify any financial or policy slip-ups.

Recommendations

In order that budget implementation and governance will meet the yearnings and aspirations of the Nigerian people, the following recommendations should be considered:

1. It is important that monitoring and evaluation should be an integral part of budgeting process. Nigerians must take advantage of existing ICT in budgeting process.
2. All the parties concerned especially the target beneficiaries should be involved at the formulation stage of the budget so as to accommodate all inputs. This will go along way in providing the needed commitment by all parties who will see the budget as originating from them.
3. Once a policy is found to be useful to the people, the commitment of all concerned should be registered, to ensure that change in the administration or government will not lead to project abandonment.

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