

**BUDGET TRANSPARENCY AND ECONOMIC DEVELOPMENT IN
NIGERIA: AN IMPERATIVE FOR NORTH CENTRAL STATES**

BY

ISHMAEL OGBORU

PROFESSOR OF ECONOMICS

DEPARTMENT OF ECONOMICS, UNIVERSITY OF JOS

BEING A KEYNOTE ADDRESS PRESENTED AT THE NORTH CENTRAL ZONAL LAUNCH
SHOWCASING THE OUTCOME OF BUDGET TRANSPARENCY SURVEY TO
GOVERNMENT DIRECTORS OF BUDGET IN THE SIX STATES OF THE ZONE , HELD AT
TAL HOTEL LAFIA, NASARAWA STATE

FEBRUARY 1ST, 2016

INTRODUCTION

The North Central Nigeria comprise of six states and the Federal Capital Territory geographically situated in the middle belt region of the nation and spans from the west, around the confluence of Rivers Niger and Benue. These state are Benue, Kogi, Kwara, Nasarawa, Niger, Plateau and Abuja the Federal capital.

Budget

The budget may be considered the high way map which shows the roads to take to reach the desired destination. It is the administration first full statement of its priorities, policies and proposals for meeting the national needs. Government budget is a quantitative and qualitative statement of estimates of in-flows and out-flows that are expected to be realised and incurred respectively in a particular fiscal year, which in Nigeria, starts from January and terminates in December. It is therefore axiomatic that for a successful administration or even business organisation, careful plans must be made and these plans reviewed and carried out. The making of such plans and their continuous review and execution is the essentials of budgetary control.

Without a budget, a government may wonder aimlessly; it may never know where it is going or where it should go. It has thus become the most powerful instrument of government policy formulation and execution. At whatever level of government, budget represents a careful balancing of several considerations such as provision for recovery of a nation's economy from recession; the obligation of the government to meet the critical needs of the nation and its people; the fact that resources are limited, government must be disciplined in its choices and scope; and the need for careful and prudent management of the taxpayer's resources.

GOVERNMENT BUDGETARY PROCESSES AND TECHNIQUES IN NIGERIA

The budgetary procedures in the Nigerian public sector are universal. All levels of government follow the same processes and prepare estimates in line with laid rules. The content of government budget is guided by provisions of schedule of the 1989 Constitution of the federal Republic of Nigeria, Decree 3 of 1989.

OBJECTIVE

The starting point of any budget is the statement of objectives which is the guiding principle of the budget. The objectives are the ultimate goals in which the entire resources (both human and material) and the entire constellation of the fiscal policies of government are geared towards achieving the objectives of budget vary from year to year depending on the goals the government wants to pursue. For example, we have had the budget of hope, budget of consolidation, budget of transition, budget of continuity, budget of change etc.

BUDGET FORMULATION AND TRANSMITTAL

After the objective, the Planning and Budgeting Department issues all circulars for budget data. All relevant facts are gathered through various heads of departments. The planning and budgeting officer does the collations and analysis of data collected.

When budget is being formulated, there is a continuous flow of information, proposals, evaluation and policy decisions among the executive, the office of budget, and the various government agencies. From such information flows and exchanges, policy issues are identified, and budgetary projections are made, giving attention to important modifications and innovations in the plan. The projections include estimated receipts and expenditures and economic outlook of the country. From these projections, the general budget and guidelines for the fiscal year are established.

One feature of the process is the preparation of the current services estimates which are budget outlays required to continue government programmes and activities in the upcoming fiscal year. The budget also takes cognisance of the capital outlay for new projects to be executed in the course of the year. Thus the budget process involves the simultaneous consideration of the resource needs of individual programme, and the total outlays and receipts that are appropriate in relation to current and prospective economic conditions.

LEGISLATIVE ACTION

The congressional or legislative review of budget begins with the Government (President or Governor's) transmitting his budget estimates to the house. Appropriate committee of the house is constituted and required to look into the estimates submitted. The legislature can then act as it wishes on the executive budget proposals. It can change

programmes, eliminate, or even add some programmes not requested by the executive. It can increase or decrease the amount recommended. It may also act upon legislation determining taxes and other policies and means of increasing receipts.

In making the appropriation, the legislature can also set limit on the amount earmarked for each sector. While some programmes are authorised by the house for specified number of years, others require annual authorisation.

Scrutinization of the proposal by the legislature is closely followed by ratification by the various respective legislatures' executives. The ratified package is then sent to the President or Governor as the case may be, for final ratification and approval. Once approved, the budget becomes the financial basis for operation of each department during the fiscal year.

BUDGET EXECUTION

Under the law, most budget authorities and other budgetary resources are made available to the departments and agencies of the executive branch through an apportionment action. Obligations may not be incurred in excess of the amount apportioned. The objective of the apportionment system is to ensure effective and orderly use of available resources and to reduce the need for requesting additional and supplemental funds.

REVIEW AND AUDIT

This is the final step in the budget process. The individual agencies and departments are responsible for assuring, through their own review and control system, that the obligations they incur and the resulting outlays follow the provisions of the budget, as well as the laws and regulations relating to the obligation and expenditure of funds. The audit department regularly audits, examines, and evaluates government programmes. Its findings and recommendations for corrective action are made to the appropriate authorities. It may endorse civil action to ensure compliance should executive or agencies fail in accordance with the law.

STRATEGIES FOR EFFECTIVE BUDGETING

Budgeting processes in Nigeria are fraught with a number of problems, among which are the problems of:

- (i) Implementation by unqualified personnel;
- (ii) Deliberate deviation from the budget plan by the executive;
- (iii) Lack of well-defined lines of authority; and
- (iv) Inability of projecting realisable estimates.

To ensure effective budgeting, the following strategies are proffered.

The lines of authority should be well-defined. This ensures that the responsibility of each department will be determined. If there is a clear understanding of who is responsible for each task, the departmental heads will assume responsibility for carrying out their tasks without quibbling over who is in authority. This assumption of responsibility by departmental heads also serves to keep their morale at a high level and this is reflected by their subordinates, which tend to increase the efficiency and the productivity of the departments.

Since the successful operation of a budget is dependent on the proper organisation of a system, it is essential as a preliminary step in the installation of a system of budgetary control, that a survey of the organisation be made. This survey will bring to light the various activities to be controlled and the determination of where responsibility rests for their control.

There is also need for research. Since forecasting is an important feature of budgeting, those individuals who have the responsibility of making preliminary estimates upon which the final policies are based should be able to make reasonable forecasting.

Research should be carried out in the field of general economic activity, with the purpose of obtaining some light on the probable course of future developments. In this case, time series and regression analysis become very relevant in the scheme of things. Research regarding the general economic activities of the country in the past and current period and how past policies affect such activities is important in determining the current budget.

In addition, there should be definite plan for administration of the budget. It must be recognised that the budget is a tool or aid of management. The budget itself is an estimate

based on a careful analysis of what is likely to be accomplished in a specific period ahead. Budgeting therefore is concerned with the technique of preparing estimates, while budgetary control is concerned with the executive aspect of budgeting. Consequently, the success of budgetary control depends on the use of the budget and not merely on the preparation of the budget. The budget is not self-executing. It is simply one of the tools to be used intelligently by the executives.

In order that the budget may be of real service in developing a well-run administration, there must be a continuous driving force behind it. Someone must be definitely in charge of the budgetary procedure. Someone must see to it that the various phases of the administration are tied together by the budget in the execution of unified, workable programme. In addition, the entire administration must get behind the budget and stay behind it, or it will fall short of its full possibilities. If the budget means anything at all, it infers control, and this applies to all phases of government administration.

Following from above, there is need for cooperation and support of executives and other staff. An important aspect of budget that has been stressed in recent years is the human relation side. This emphasis is warranted since no budgetary control system can be operated successfully if the human angle is neglected. As has been seen, there is a marked difference between budgeting and budgetary control. The transition from making a budget to enforcing it involves the extension of control over people as well as over revenue and costs. Those individuals who are concerned primarily with the “figure functions” should recognise that budgeting is not their private affair. Budgeting should be seen as a united effort of all the departments and division of the government.

APPROACHES TO BUDGETING

The use of budgeting procedures for control purposes was developed by the governments of many European countries during the eighteenth and nineteenth centuries. Since then, improvements have been made in public budgeting processes and procedures. The government sector has particularly adopted some techniques. A few of these budget approaches are examined here under.

INCREMENTAL BUDGETING

The incremental budget approach has its short-comings; however, it has continued to be used. Most recurrent budgets in government tend to be made on incremental basis. The

methodology of this approach to budgeting is simple and straight forward. Next year's budget is equal to the sum of the money received in the current year plus allowances for cost increases for change in workload, and for additional new or changed services. Normally funds unexpected at the end of the fiscal year frequently revert to the treasury and may result in reduced funding during future years. This fear of cutting funds may induce heads of departments to request more funds than they actually need, the objective being to make room for executive and legislative cuts, without incurring the danger of an appropriation that is insufficient to meet the needs of the ministry.

PLANNING, PROGRAMMING AND BUDGETING

Planning, programming and Budgeting is used to analyse activities in strategic terms. Programmes are framed in such a way as to enable the comparison of alternatives based on explicit criteria and assumptions and incorporating expected costs and benefits. The major point of the approach is that there is a focus on explicit, long range programme decision, in contrast to the procedure of annually deciding how much of the over-all appropriation should be allocated to each agency.

A successful implementation of PPB requires:

- That outputs be definable and measurable. This means that PPB may not be usefully employed where output is of a sound rather than a physical, concrete nature;
- Top management support for the techniques must be hearing and visible;
- Competent and dedicated PPB staff must be available to management.

It is often said that PPB is more of a state of mind than a system. This is to say that its success depends on the attitude of mind which management and staff bring to bear on it. This means that there is not so much of procedures for its conduct and implementation. This in itself leaves it open to abuse and misuse. It may also achieve less than good results when staff is not dedicated or corrupt.

However, the following characteristics guide is suggested:

Goal Specification

A careful specification and analysis of basic programme objectives is necessary. What is management really out to achieve? This means that the very highest objectives should be

identified. For example, the objective of the school programme is not to build schools. Schools are useful, only to the extent that they turn out good quality graduates able to fulfil certain basic functions.

Evaluation of Expected Output

The output of the given programme should be analysed in terms of the objectives. That is, against the background of the objectives and considering the final output. Can the programme be said to be a success or a failure.

Prediction of total costs

If the comparison of output against objective shows that the programme will be a success, the total costs of the programme (not just for one year ahead) should be carefully predicted.

Analysis of Alternatives

A deliberate competition among the various alternatives to the programme execution is set up. This is a council's step of determining whether the best option or method of execution has been selected.

Integrate PPB into the Budgeting Process

The programming process must then be linked to the budgeting process. This is a means of connecting a plan to an annual budget. That is, from a mere paper work to an important part of the decision process.

Zero-Base Budgeting (ZBB)

Zero base budgeting is a system where each department of an organization must start its budget afresh each year. In each budget period, an organization must analyse every programme and justify every proposed expense.

It is an elaborate practice of having a manager, justify activities from the scratch as though they were being launched for the first time. The review assesses what activities should

be undertaken and then estimates the proper level of these activities. This approach contrasts with the traditional methods of budgeting in which a new year's budget is based primarily on the proceeding budget.

The above can be summarised thus:

- determined the objectives, operations and costs of all activities under sectional head's jurisdiction,
- consider (explore) alternative means of conducting each activity,
- evaluate alternative budget levels of effort for each activity,
- establish measures of workload and performance,
- rank all activities in order of their importance.

In the 1970s ZBB became popular in the U.S. indeed, Jimmy Carter, then governor of Georgia State was so pleased with its use that when he became President of USA, he directed all Federal US government agencies to adopt it.

The advantages claimed for the ZBB include the fact that it overcomes the shortcomings of the incremental budgeting system by not granting automatic approval for projects or programmes simply because they had been approved. It requires fresh justification for each on-going project, otherwise, it receives no funding.

However, critics of ZBB maintain that it requires more time and people than the traditional methods. There must be almost flawless methods of storing and accessing information for higher officers in developing countries to apply it. The documentation required may be excessive and challenging and so it can be very costly indeed.

DEVELOPMENT

Development which is a many sided process includes economic, social, political and educational advancement. Often, the term is applied in an exclusive economic term, the justification being that the type of economy is itself an index of other social features.

While there is no generally accepted definition of economic development, all imply raising living standard. It is a social process which results in a cumulative increase in the level of consumption.

It can therefore be looked at; focusing on more equitable distribution of wealth and this involves percentage and cumulative rise in the material standard of living for an increasing proportion of the total population.

Over the years, successive governments in Nigeria have attempted to tackle the problem of poverty through various programmes having identified poverty as the main obstacle to rural development in the country (Egware, 1997 and Ekong, 1997). In a bid to tackle this impediment to development, the Nigerian government, responding to World Bank's recommendations and based on its agricultural survey, embarked on the implementation of three pilot integrated agricultural and rural development projects by early 1970s in Funtua, Gusau and Gombe but later spread to other states of the federation. These projects were mainly to stimulate increased food production and enhance the income of the rural population.

TRANSPARENCY

Transparency – Is the quality of being transparent. It is that which is visible; it is openness, degree of accessibility to view or be viewed.

Transparency is being accountable and in our case here, being accountable to the people who entrusted one with resources – financial and otherwise in such a manner that we do not make obscure our dealings.

Shrouding budgetary or financial operations in secrecy is the fertile ground upon which the evil of corruption and embezzlement thrives.

Ogboru (2009) asserts that, Corruption is manifested by the use of the instrumentality of office by a government official for private gain. Corruption tends to flourish when standards are lax or poorly defined, regulatory institutions and enforcement practices weak, and government policies generate economic rent.

The opportunity for corruption is a function of the size of the rents under the control of a public official, the discretion that official has in allocating those rents and the accountability that official faces for his/her decisions or actions.

Inflation of Budget/Budget estimates with a view to pilfering the excess ear-marked so included. None execution of Budgets with the view of sharing the unexpended funds as largess at the end of the

accounting or fiscal year. Bypassing normal channels of fund releases by way of exercising 'authority of office' (Executive fiat).

BUDGET TRANSPARENCY: AN IMPERATIVE FOR NORTH CENTRAL STATES

Unlike some states in the South South and South West, where huge revenue sources of oil and taxation abound, the North Central States are generally known for their particular lean resources owing to the fact that they essentially depend on primary products as their major source of income or revenue. These primary produce include, agriculture i.e the production of grains - maize, rice, beans, some cassava, yam tubers, cocoyam, fruits (perishables) and indeed some quantity of solid mineral resources e.g tin, columbite, coal, tantalite etc

The North Central States must have to think out of the box, by providing means of preserving the perishables that are in abundance in the zone, for example, establishment of processing and canning industries in these states will beef up the level of employment, raise income/ generate revenue as well as reduce wastages of these produce.

Budget transparency for the North Central States is therefore an imperative as the lean resources in these state have to be extra judiciously managed so as to allow for an effective cascading of the benefits of budgeting trickle to the generality of the masses in the zone.

Managers of the economy of these North Central States must therefore eschew sharp practices and corruption and spare / free the available lean resources for projects that are development oriented thereby closing up the gap of inequality and poverty among their people.

The general outcry for increase in federal allocation may become lessened when the internally generated revenue has been put to very productive use by these states and the people will become willing to both support and key into government programmes as the feel the impact.

Relationship between the three variables

Relationship between Budget, Transparency and Economic Development of the North Central states: Positive relationship exists between the three variables while an inverse relationship

occurs when transparency is kicked out, corruption takes the centre stage and siphons away resources meant for development as resources thereby impeding on development.

CONCLUSION

It is clear that governments at the North Central States are irked with varying responsibilities, for the purpose of effective implementation of the government policies, budgets become expedient. To this end, there is need for outright transparency for effective budgetary techniques and processes to enable positive cascading to the populace. While it may be possible to propose elegant budget, its execution may demand a greater degree of ingenuity in **stamping out corruption** on the part of the operators. Consequently, the above strategies are proposed for optimal execution and to ensure control. The executive and other operators of the system should understand the overriding principles of budgets and be guided appropriately. These include cost efficiency in executing capital projects and improvement of revenue generation and collection. All these should be geared towards achieving the objectives of the budgets and accomplishing the various states in the North Central Zone of Nigeria.

REFERENCES/ BIBLIOGRAPHY

Constitution of the Federal Republic of Nigeria

Egware, L. (1997). Poverty and Poverty Alleviation: Nigeria's Experience in Poverty Alleviation in NES Annual Conference.

Ekong, C.N. (1997). Framework for Building Sustainable Poverty Alleviation Strategies in Nigeria. NES Annual Conference.

Hassan, M. M (1992). Local Government: Budgeting procedures and The Internal Auditors.

Nwoko, C. (1982). Internal Control in Business. . Enugu: ABIC Books & Equipments Ltd

Ogboru, I. (2006). Readings in Economic Development and Planning. University of Ilorin Press.

Ogboru, I. (2009). Reflections on External Debt, Corruption and Nigerian Economy. Jos University Press.

Ogboru, I. & Abimiku, A.C (2010). The Impact of Corruption on Poverty Reduction Efforts in Nigeria. NES Annual Conference.

Okigbo, P.N.C. (1981). Nigeria's Financial System. Longman

U.S Government (1979). Budget proposal.

U.S Government (1979). The Budget of the U.S.A.