
IMPLEMENTATION OF THE 2008 CAPITAL BUDGET AND ITS CHALLENGES

Christie O. Okoye PhD

*Department of Political Science,
Faculty of Social Sciences, University of Jos*
Okoye @Unijos.Edu.Ng
08035984650

Abstract

In any democratic government, budgets provide a mechanism through which the projects due for implementation are reconciled with the anticipated funds to be realized. Budget preparation is very cumbersome in which institution and actors play various roles. However, it is worth nothing that the long processes of budgeting stretches into the coming year that its implementation is left with limited time. This consequently affect the execution of developmental policies and programmes which in turn results in economic crisis. The paper therefore argued that bureaucratic delay, late starting of budgetary process, review of budgetary allocation, delay to realizing allocated funds, due process mechanism among others have constituted problems that militated against prompt implementation of the 2008 capital budget. The work,

therefore, suggested among others that annual budget preparation should commence early enough so that its implementation will be timely; reviews of and inclusion into budgets should be discouraged, prompt release of allocated funds should be encouraged and finally due process mechanism should continue to be utilized and strictly adhered to. The above suggestions, if utilized, will go a long way towards taking care of the challenges faced by budget implementation in Nigeria.

Introduction

Government budget serves as a policy instrument for management of the resources available to the government. In all advanced and most developing countries, annual budget constitutes an important tool for political governance and economic management. (Gali, 2002:61) It is a framework for providing various goods and services by government. Budgets are instruments that are used by the electorate to measure campaign promises made by politicians.

Over the years, poor budget implementation by the executive arm of government at all levels of government has adversely affected the execution of developmental projects and programmes. This said development has unfortunately led to inadequate provision of services to most members of the public. A very close observation of the state of the nation, would lead one to the sad conclusion that the political class has not been able to appreciate the relationship between effective budget implementation and national development. They have failed to realize that budgeting is an integral component of constitutional democracy.

In Nigeria, budgeting is usually seen as a mere routine function (Nwoko, 1999:26). The oversight functions performed by the legislative arm of government in the past as it concerns budget monitoring have been nothing but mere window dressings. The issue of poor budget implementation has negatively affected the achievement of most spelt-out development goals. These are reflected in many abandoned developmental projects. Poor annual budget implementation has also made execution a very weak link in the budget process.

Also, it is very sad to note that for the past decades, no federal administration in Nigeria has been able to achieve hundred percent (100%) annual budget implementation (Gwagwe, 2010.1). For instance,

for some years, rate of capital budget implementation has varied widely. Between the years 2002-2003, the implementation rate was 50%. In 2004 and 2005, the average was 92% while that of 2008 recorded 43.9% as at November 30 (Obadan, 2009:4). This therefore becomes a source of concern to the government. This is because in the words of Osagie and Poroye (2005:24), annual capital budget is not only an instrument for accountability, control of public fund, it also provides a mechanism through which the projects due for implementation, are reconciled with the anticipated funds to be realized. Budgeting processes in democratic system are influenced by executive, legislative and judicial arms of government. The arms act as checks and balances with the limits of the constitutional powers allocated to each them.

The 2008 budget, based on the above information (Obadan, Ibid:4), recorded poor performance. This work therefore aims at finding the reasons for poor performances by the ministries, departments and agencies, in 2008 budget when compared to years 2006 and 2007 respectively. Delays in budget enactment, non-release or untimely release of appropriated funds, late commencement of implementation, inadequate monitoring of budget performance, administrative delays and others are some of the factors that should be examined and their levels of contributing to poor budget implementation would be ascertained. The work also proposes measures that will contribute to improving the implementation of budgets in Nigeria.

Therefore, the paper is divided into six sections. The first section gives a broad introduction to the focus of the paper and its mission. In the second part, we examine the budgetary processes and the roles of institutions and factors in the budget process in Nigeria. Capital budget implementation in the years 2006, 2007 and 2008 are examined and analysed in section three. The challenges of the 2008 capital budget implementation is captured in section four. Sections five and six are conclusion and recommendations, respectively.

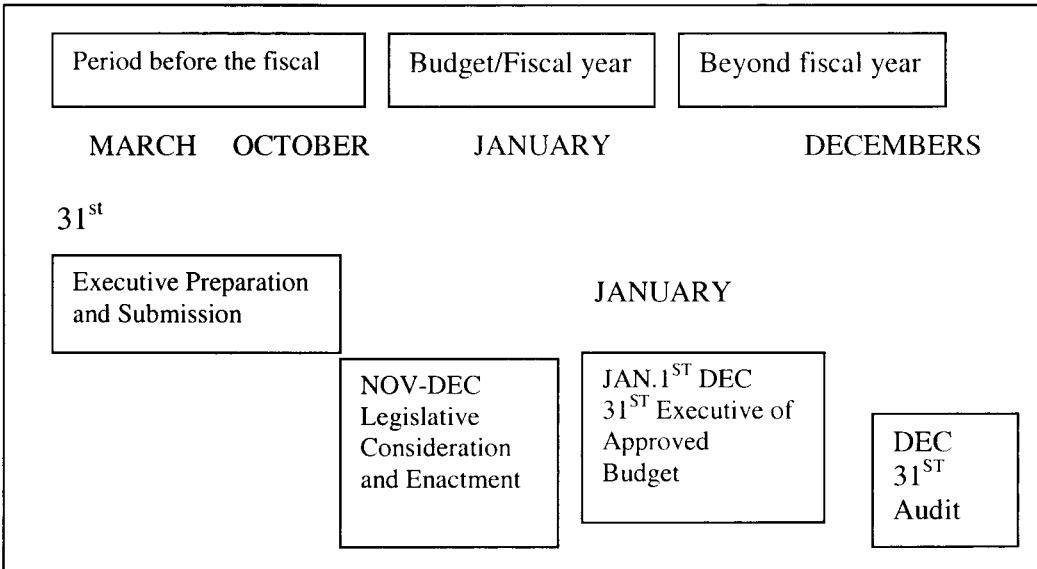
Budgetary Process and the Roles of Institutions and Actors.

Budgeting processes in a democratic system are influenced by the executive, legislative and judicial arms of government. (Adeleye, 2002:74). A good government budget usually includes;

- a general reviews of the economy in terms of its performance in the last budget year.
- the estimates, both revenue and expenditure arranged under recurrent and capital groupings.
- the fiscal, monetary and other controls to be introduced by the government (the taxation and borrowing actions go to the legislature in other forms).
- a foreign exchange budget which represents a picture of the import payment, repatriation of company dividends and all foreign exchange payment and receipts (Oshisami, 2004:51).

The budget cycle serves as a complete set of events taking place in the same sequence a yearly basis and culminating in the approved budget. In democratic system of government, where separation of power exists between the executive and the legislature, four phases of a budget exist- executive preparation and submission, legislative consideration and enactment, execution, audit and review. Below is the diagramme illustrating the ideal cycle for the Nigerian scenario.

Table 1: Phases in the Nigerian Budget Cycle (ideal)



Source: *Budgetary Control in Government*, Oshighami, K. (2004:55.).

The above cycle has two phases which are expected to occur in the period prior to the budget/fiscal year and a final phase which starts during the budget years but has the greater part of its activities after the year.

According to Oshishami (Ibid:54), the first phase begins with the President articulating government's objectives in terms of economic, social and other welfare parameters. The priorities and the expected levels of achievement are also indicated. These are made known to both to the ministry of Budget and Council of Economic Advisers. Based on the information and other data available, the Ministry of Budget issues the "Call Circular" inviting the ministries, departments and agencies to submit advance proposals. The organizations are required to submit these in accordance with the principles and guidelines set in the call circular. In a situation where new staff proposals are approved, it requires prior clearance with the establishment department. Where a new capital projects are involved, these are to be cleared with the department of National Planning, if not already part of the National Plan. The various proposals are then exhaustively discussed at a series of Budget Committee meetings. The Committees which are often presided over by senior members of the Budget Ministry, consist of the nominees of the Treasury Department, establishment department, Department of National Planning and the Federal Ministry of Works. These constitutes administrative hearings held to effect reconciliation of each agency's request and the Budget Ministry adjustments. The budget Ministry's position is arrived at by an interactive process. Normally, the total allocation in the National Plan of an organization should bear close semblance to its total capital expenditure for the period while its recurrent expenditure should be closely sympathetic to this. Also, if the plan has been well thought out in terms of the desired objective, the annual budget request should be sufficient to assure delivery of part of that objective during the budget year under consideration. So, it is this consistency, in addition to its own allocation criteria which form the basis of the Ministry of Budget's position on each agency's request. At the end of this phase, a submission, which contains a review of the economy, legislative initiatives for the budget year, expected revenues for the budget year, tentative proposals of ministries, recommendation

on the overall priorities and suggested budget ceilings. is made to the president for consideration. Then, the president's draft budget is put together and presented to the legislature.

At the second phase of the budgeting process, the president presents the Appropriation Bill to the National Assembly for legislative consideration and enactment. Normally, this phase is expected to be concluded before the beginning of the budget year. In reality, this hardly happens in Nigeria. For instance, the 2008 Appropriation Bill was presented on the 8th of November 2007 but was not assented to till 14th April, 2008-fivemonth and seven days time lag. (National Assembly, 2009). The Constitution, however, has provisions which enable governmental operations to continue when the approved budge is late coming into.

The third phase refers to the period in which the appropriations are used in incurring expenditure, delivery services and accounting for the transactions and events relating to it.

Phase four has to do with audit and review which is supposed to commence during the budget year and will involve the routine vouching and checking of receipts and payments and the assessment of the system of internal control, existing in the various ministries, department and agencies. The final audit process takes place after the budget year. The Audit Act stipulates that the signed account of the Federation within seven months of the end of the financial year. However, the real situation is that this has been possible for many years and the gap between the end of the financial year and the time the accounts were presented for audit has grown wider.

During budget preparation, execution and evaluation, different organizations, play various roles. The presidency is responsible for reviewing of preliminary plans prepared by the ministries; reviewing projections for the economic outlook prepared by the Council of Economic Advisers, Ministry of budget and planning; establishing general project and fiscal policy guidelines and issuing same through the Ministry of Budget to the various Ministries and presentation of the budget to the Assembly.

The Ministry of Budget and Planning which is the advisory to the President is also a liaison unit between the president and the

Ministries in budget preparations. Its responsibilities include developing economic assumptions and forecasts, issuing budget guidelines to ministries, compiling total expenditure and revenue estimates, recommending fiscal policy to the President and drafting president's budget message as well as preparing the budget. Then, the ministries and agencies whose responsibilities are to determine departmental policies and guidelines, submitting information on programmes and projects, preparing and submitting budget proposals to the Ministry of Budget and Planning and revising estimates to conform with the Executive's decision.

Also, there is the Treasury department whose responsibilities include operating the consolidated Revenue Fund and the development fund, managing and allocating cash and cash resources, accounting for budgeted receipts and expenditure in aggregate and preparing the accounts of the receipts and payments in aggregate and presenting them for audit.

There is the office of the Auditor-General of the Federation under the authority of the Auditor-General. This has direct responsibilities to the Legislature and is independent of the executive to ensure that public funds are accounted for according to legislations and regulations of the government. They include conducting a post-audit of the transactions of each government ministry or department, preparing an annual report to the legislature, giving a full account of the manner in which appropriations have been utilized and stating instances of misuse of funds, excess expenditure, unauthorized expenditure, fraud and short-fall in revenue.

Finally, there is the Public Accounts Committee. This is a committee of the legislature which deliberates on the Auditor-General's report after it has been tabled in the Joint Assembly. This body reviews the Auditor-General's report, hears evidence presented by departmental officials and the Auditor-General on the management of the public funds, reports its findings and makes recommendations to the National Assembly (Egonmwan and Ibodje, 2001:66-67).

Capital Budget Implementation in the Years 2006, 2007 And 2008

In this section, a brief comparative analysis of 2006, 2007 and 2008 budgets implementation is presented. This will help us see the poor performance of 2008 budget.

It is important to note that funding determines budget implementation even though it is not a sufficient condition. For instance, in the years 2006, 2007 and 2008, the number of ministries, departments and agencies (MDAs) that received 100% and more of budget as cash-backing are as follows: 2006-36 (80.0%), 2007-23 (63.9%) respectively, (Obadan, 2010:19). This shows that for the three years, 2008 witnessed the least number of MDAs that received 100% and more of the budget as cash backing.

Also, MDAs fund utilization in relation to capital budgets reveals an evidence of poor performance of 41.4% in 2008 when compared to 95.4% in 2006 and 74.9% in 2007, respectively. Furthermore, in 2007, 25 MDAs out of 46 or 54 achieved capital budget performance of over 70% while in 2008 only 5 MDAs or 10.0% achieved 70% and above capital budget performance. From the above analysis, it is evidently clear that low performance was recorded despite the fact that capital funds were released and cash backed. So, for the year 2008, low budget implementation could not be blamed on lack of funds.

Furthermore, delays in budget enactment under the current democratic dispensation was observed. For instance, in 2006, it took the National Assembly two (2) months sixteen days to assent to Appropriation Bill sent to it by the executive arm of government; 2007 (two months and twelve days) and 2008 (five months seven days). So, with the late enactment of the 2008 budget, it becomes clear that few months were left for its implementation. This, therefore, contributes to poor budget performance.

Due process mechanism is a major reform initiative designed by federal government to sanitize the public procurement process by eliminating wastes and corruption, associated with process. Before the due process mechanism, public procurement was a major source of corruption. The country lost a lot of money through it. So, due process become a welcome mechanism. However, there has been institutional resistance and blackmail to the reform embodied in DPM. Some DPMs

evolved into Public Procurement Act, there were some genuine complaints relating to delays. This arose from the fact that BMPIU was involved in verification and certification of projects and in the processing of requests for payment. The mechanism has now been reformed with the enactment of Public Procurement Act (PPA) IN 2007. The reform has among others eliminated observed source of delays through non-involvement of Bureau of Public Procurement BPP in verification and certification of projects and in processing of request for payments. Decentralization of the work of BPP was done through the establishment of procurement units in MDAs.

In Nigeria's budget process, monitoring and evaluation are often not given the needed attention. This is despite the existence of many agencies that claim monitoring to be part of their functions. In the words of Gwegwe (2010:1), the oversight function carried out by the legislative arm of government in the past as it concerns budget monitoring have been nothing but more window dressing. As a result of this limited or lack of monitoring, project implementation tends to be delayed, not executed or are abandoned.

It has also been observed that many MDAs lack adequate capacity to prepare project documents relating to works. These pose major constraints to MDAs' budget implementation especially procurement of works and sophisticated goods. This, therefore results in delay in project implementation over the years. Lack of implementation plans to uncoordinated and disorderly implementation and avoidable delays. This is often common in terms of actions plans of steps and procedures to systematically guide the implementation of plans. As a result, government commits resources to projects without proper assessment of the results to be achieved.

The Challenges of the Implementation of the 2008 Budget

In recent times, poor budget implementation by the executive arm of government at state and federal levels has affected the development of key public infrastructure like transport, power and social service delivery. These developmental services are carried out by the ministries, departments and agencies on behalf of the government.

However, it has been observed that various factors have militated against effective implementation of 2008 annual budgets. Information gathered in the course of this work reveal that all the ministries, departments and agencies are of the view that late budget enactment constitutes their main problem (Obadan, 2010).

The original Appropriation Bill was assented on the 14th April, 2008. Then the Amendment Appropriation Bill was assented late October, 2008. Before the Amendment Bill was assented, MDAs were not sure which of the budgets to implement –original Appropriation Bill or the Amendment Appropriation Bill. So, the implications of this are that there were confusion as to which budget that was in operation and to implement. As a result of this, most MDAs could not implement their capital budgets even when funds were available. There were uncertainties over the final budget figures approved for projects. The MDAs that had their allocation adjusted by the National Assembly, were not sure if the Amendment Budget would sustain the adjustment, (Obadan, 2010: 76). For instance, in the case of the Ministry of Works, seven projects for which payments had already been made were omitted in the 2008 Amendment Appropriation. Fifty three (53) news projects were introduced. It therefore becomes clear from the forgoing that timing of budget enactment has implications for budget implementations for budget implementation and that tussle between the executives and the National Assembly over budget amendment is a sore issue with serious implication

Furthermore, there is problem arising from the due Process Mechanism/Public Procurement Act. This has to do with the cumbersome nature of the procedures; limited capacity to understand, interpret and apply the Act; long period of compliance; late setting up of procurement planning committee and no allowance of procurement before appropriation. Most of these complaints do not derive from the Act. Rather, they derive from lack of familiarity with the Act, lack of capacity by MDGs, institutional resistance to change. It is hoped that most of the constraints can be overcome with time and greater familiarity.

There is also factor of limited human capacity/technical capacity. Here, it was observed that the MDAs are faced with the problem of

preparation of project documentations and implementation of Procurement Act. The later can be remedied by capacity building through training and retraining. The idea of introducing new projects into the budget has impact on project implementation. A situation where the national assembly will tend to include projects into budget sent to them. The new project has no design and as such creates implementation problems. They also overstretch implementation capacity of MDAs.

Finally, there is problem of late commencement of project activities by the contractors or suppliers, request for contract variation and late delivery on targets. All these affect budget implication and consequently result to economic crisis.

Conclusion

In any developed or developing country, the annual budget is a framework for providing various goods and services by government. In fact, governments use annual budget to achieve the economic, social and political objectives of the country. However, for this to happen, the budget must be properly formulated and effectively implemented. The 2008 capital budget recorded poor performance when compared with 2006 and 2007 budgets. This is reflected in the levels of the budget implementation by the Ministries Departments and Agencies (MDAs) which the government uses in effecting the implementation of budgets. The challenges encountered by these MDAs are in the areas of delays in budget preparation and enactment. If budget is not timely prepared, its implementation will also be delayed. Proper utilization of allocation funds is also a factor to reckon with if implementation of budget is to be problem free. The civil servants had problem with the Public Procurement (Due process) phenomenon. It was also observed that though fund was not a constraint in the 2008 budget, its utilization was adversely affected as a result of the way the due process phenomena was handled. The issue of amendments to the Appropriation Bill by the National Assembly was also discussed. This is not healthy for the entire budget since it will upset the whole funds budgeted for. Other administrative bottleneck/bureaucratic different levels were also

highlighted. Those observed challenges have to be taken care of if the implementation of future budget is to be effective.

Recommendations towards a more Effective Budget Implementation in Nigeria

Based on the observed challenges that affected the implementation of the 2008 annual budget, the paper recommended as follows:

1. Confidence should be restored in the process of budget-making and its implementation. In order to achieve this, there is need to have realistic cost estimates and minimize overloading of annual budget. MDAs need to be assured that their projects will be funded annually up to completion.
 2. Concerned institutions and actors must prepare and submit Appropriation Bill early. Also, its early enactment into an Act is crucial. In order to achieve this, there is need for time –lines on budget formulation and enactment. Budget preparation can start April/May and Bill submitted to the legislative arm of government by September so that they have four months to deliberate and pass it. By January 1, budget implementation commences.
 3. Concerned body should make early release and cash-backing of warrants. To achieve this, the work suggests that the quarterly release of funds should be done in the first month of each quarter.
 4. Amendments to an Appropriation Bill by NASS should be minimized. This is based on the fact that substantial budget amendment and introduction of new projects have been sources of problems in budget implementation. Also, the executive should discourage MDAs from lobbying NASS for increased budget allocation. They should go to NASS to defend the allocations approved by the executive.
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5. There is also need for capacity building for compliance with the due process Mechanism/Public Procurement Act. In order to achieve this, MDAs need to come to terms with this initiative. However, they need adequate capacity for compliance with the procedures and processes. This means adequate training and re-training of relevant officers.
 6. In the area of funding of projects, there is problem of insufficient funding of many projects. Financial resources are spread to thinly over many projects that longer time is taken to complete them. Therefore, MDAs should prioritize their projects, ensure that On-going projects are executed to conclusion before admitting new ones into the budget.
 7. Finally, there is need for effective monitoring and reporting on projects. This is necessary for a high level budget implementation and project completion rates to be achieved. To this end, government should establish monitoring and execution units where they do not exist. The existing ones should be sufficiently empowered for greater effectiveness.

Adequate utilization of the above recommendations will go a long way towards removing the challenges encountered during implementation and thereby saving the country from economic crisis.

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