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RESEARCH ARTICLE

THE CAUSES AND IMPLICATION OF DELAYED PASSAGE OF 2018 BUDGET ON THE NIGERIA'S ECONOMIC RECOVERY AND GROWTH PLAN

Yahaya Yusuf¹ and Bilyaminu Yusuf Hanga²

1. Department of Accounting, Usmanu Danfodiyo University, Sokoto, Sokoto State-Nigeria.
2. Department of Accountancy, Modibbo Adama University of Technology, Yola-Adamawa State-Nigeria.

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Abstract

The study utilized descriptive techniques in the assessment of the impact of sectoral allocations of Nigeria's 2018 annual budget on selected macroeconomic variables of; GDP growth rate, Exchange rate, Inflation, Oil prices, Oil production, Debt servicing among others and the 2016 Nigeria's Economic Recovery and Growth Plan (ERGP). We identified some gray areas in the budget, budget padding, constitutional lacuna, non-compliance with fiscal responsibility Act, late preparation and consideration of medium-term expenditure framework, political face-off between the National Assembly and the executive, lack of patriotism as the causes of the long delay in the consideration and passage of the 2018 budget by the national Assembly. The study therefore recommends amendment of the 1999 constitution, sanctioning of erring Ministries, Departments and Agencies (MDAs) and deployment of ICT in budgeting tracking by civil society groups, communities and the general public.

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Introduction:-

A budget is described as a plan expressed in quantitative and mostly monetary terms covering a specified period of time usually a year. It is a statement of expected income and expenditure of a government within a specified period of time. It explains the programs, projects and policies of a government. According to Oshisami (2004) a budget is a plan that that determines the revenue and expenditure of government over a period of time. While Hamilton (1986) described a budget as collection of numbers that reflects a nation's priorities, needs and promises. It could be deduced that a budget is any legal document that contains plans, projects and programs of any organisation expressed in monetary form.

A budget is viewed as a legal and economic document that helps a nation, a government or a council in deciding how much to spend, what time it should spend, and where government intends to spend monies available within a specified period of time. It represents proposed allocation of resources to various units and sub units of a nation. It is expected that, a budget provides information to citizens on where and how a government intends to generate its revenue, is an avenue with which societal needs would be met, as well as the goods and services government intends to procure. It should serve as an aid to plans, a device for communicating plans, is a motivating document, is a controlling tool, is a basis for evaluating performance, and explains responsibilities to managers (Oshisami, 2004)

Corresponding Author:- Yahaya Yusuf

Address:- Department of Accounting, Usmanu Danfodiyo University, Sokoto, Sokoto State-Nigeria.

Delay in the consideration and passing of budget in Nigeria started in 2016 financial year, which was largely attributed to the face-off between the executive and the legislature arm of government. It took the national assembly five months to consider and pass the budget and it took another 2 to 3 months before its active implementation started. Many researchers argued that, the delay was one of the critical factors that triggered the 2016 economic recession in Nigeria. While the 2017 Budget was passed into law by the National Assembly on the 11th of May, 2017 Five months after it was presented by the President Muhammadu Buhari. These calls for serious concern over the trend of delay in the consideration and approval of a national budget. The main question is: if it takes the legislature five months to consider and approve a budget, then how long would it take the executives to prepare and present the same budget particularly in a large country like Nigeria.

This paper examines the basic factors that caused the long delay in the consideration and passage of 2018 Nigeria's budget as well as the suspicious and unrealistic assumptions of the 2018 Nigeria's budget.

Literature Review:-

There a number of studies that examined Budget preparation and implementation and the relationship between budget and economic growth and development.

Oke (2013) examines the effect of budget implementation on the Nigerian economic growth. The study adopted OLS regression test to analyse a time series data on GDP, Public total Expenditure (PTE), Public Recurrent Expenditure (PRE), Public Capital Expenditure (PCE), External Debt (EXD). The findings indicate that budget implementation has a positive impact on the economic growth of Nigeria. Similarly, a positive relationship between GDP and PEX, PRE, and EXD, a negative relationship between GDP and PCE. The study recommends the enactment of enabling law that will make budgets to work.

Nwaorgu (2015) examines the effect of dominant individual on Budget implementation in Nigeria. It adopted a content analysis of literature and secondary data. The study revealed that the activities of dominant individuals range from manipulation of budget items before and after approval of annual estimate, embezzlement, and fraudulent activities. Absence of proper budgeting processes are responsible for the failure of budgeting in Nigeria. The study recommends the need for budget reform in Nigeria based on thorough evaluation of revenue, needs, transparency probity and accountability.

Adekunle (2018) assessed the factors responsible for budget failure in Nigeria. The study deployed ANOVA on time series data from 2010-2015 to examine the relationship between GDP, poverty index and government expenditure. It reported a positive and significant relationship between Budget and poverty index. The findings show that Budget in Nigeria has become a mere yearly ritual affair without appreciable result. The study recommend that government should enact enabling law that ensures the functioning of its budget according to plan and increase in the proportion of capital expenditure.

A Review of Economic Parameters of 2018 Nigeria's Budget

Nigeria's 2018 Budget is prepared based on the following macroeconomic parameters:

1. A projected crude oil price of \$45 per barrel.
2. An average daily production of 2.3 million barrels of crude oil per day (2.3mbd).
3. A foreign exchange rate of ₦305 per one dollar (₦305/ \$1).
4. A projected real GDP Growth rate of 3.5%.
5. An Inflation rate of 12.4%.
6. A relative stability of the foreign exchange rate.
7. An improvement in the ease of doing business index from 169 to 145.
8. A rising debt profile of ₦21.725 trillion as at first quarter of 2018.
9. A rise in the level of insecurity particularly kidnapping and banditry.
10. A stable interest rate and cash reserve ratio.
11. Stabilization in crude oil price and production.

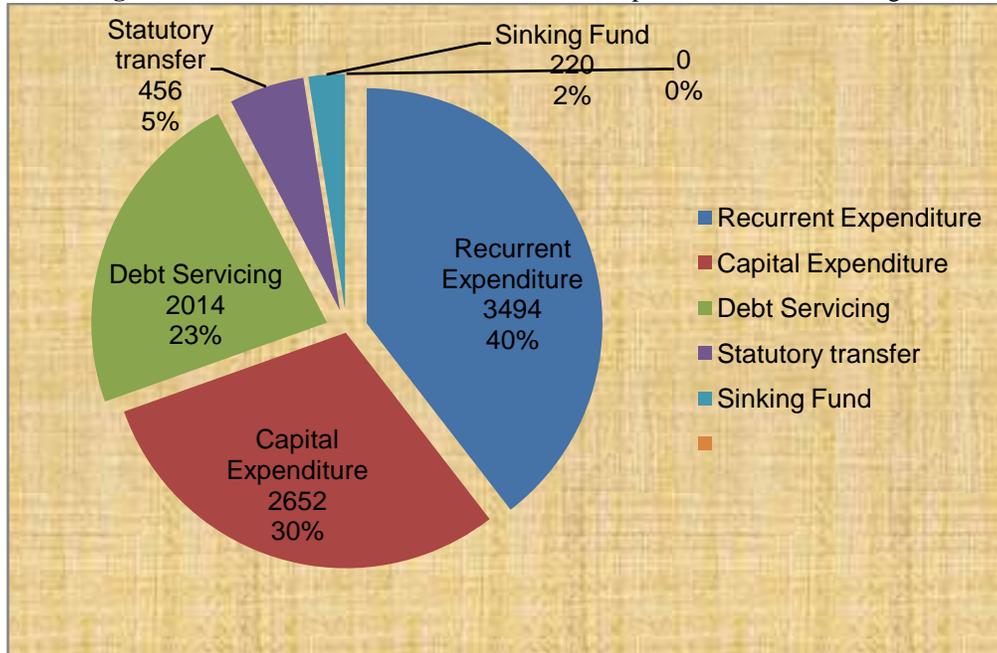
Key Elements of 2018 Nigeria's Budget

The Budget contains the following basic components

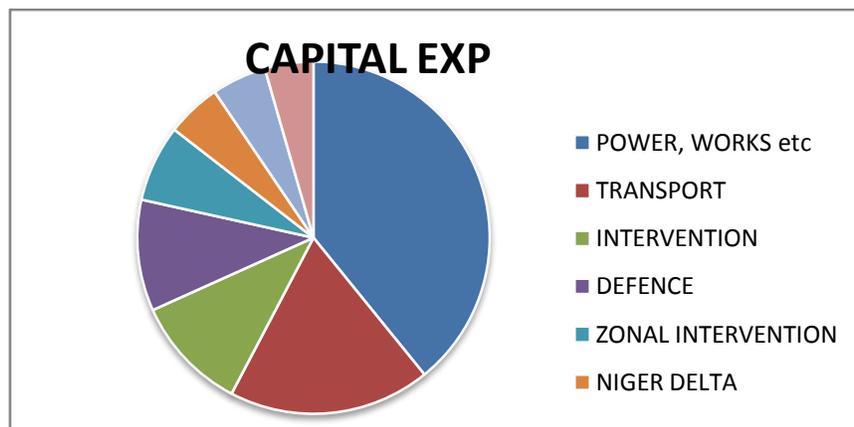
1. A total expenditure of ₦8.612 trillion Naira.
2. A capital expenditure of ₦2.652 trillion Naira representing 28.2%.

3. A recurrent expenditure of ₦3.494 trillion Naira representing 40.6%.
4. A Cost of Debt Servicing to the tune of ₦2.014 trillion Naira representing 23.4%.
5. A statutory transfer of ₦456 billion Naira representing 5.3%.
6. A sinking fund transfer of ₦220 billion Naira representing 2.6%.

Figure 1:- Pictorial distribution of the various components of the 2018 budget.



The breakdown of the capital expenditure shows an allocation of ₦555.88 billion naira to works power and housing ministry, being the highest allocation of 20.9%. Secondly, is an allocation of ₦263.1 billion naira to ministry of transportation representing 9.82% of the total budget figure for the year. Thirdly, is the special intervention programme which had an allocation of ₦150 billion naira representing 5.6%, the fourth allocation is to the ministry of defense which had the sum of ₦145 billion naira representing 5.46%, while the fifth is the zonal intervention programme with an allocation of ₦100 billion naira representing 3.77%. Figure 2 presets a pictorial distribution of the ₦2.652 trillion to capital expenditure.



Comparative features of 2018 Budget

The total size of 2018 budget is ₦8.612 trillion naira, with a deficit of ₦1.699 trillion naira. This is 15% higher than 2017 Budget which was ₦7.488 trillion naira. It shows a drastic shift from oil-based sources of revenue to non-oil sources; a projection of ₦2.442 trillion naira from oil revenues, and ₦4.165 trillion from non-oil based sources;

which translate to an increase of 30% in total revenue from non-oil sources. Statutory allocations to the various federating units have an increase of 12% when compared to what 2017 allocations. Similarly, all the six political zones were allocated ₦100 billion naira for zonal intervention projects; this was completely absent in 2017 budget. There is a decline in the level of deficit from N2.3 trillion naira to ₦1.699 trillion-naira, accounting for 26% decline. In the same trend all the capital allocations had a marginal increase in 2018 except the OGONI cleanup. The zonal intervention project has an allocation of ₦150 billion; comprising of ₦9.8 billion for *Mambilla* hydro power project, ₦12 billion naira for transmission lines and distribution substations, ₦35.41 billion for national housing programme, and ₦10 billion for 2nd Niger bridge.

Methodology:-

The methodology adopted in this paper is content analysis of the 2018 Budget documents, the Economic Recovery and Growth Plan (ERGP), the Fiscal Responsibility Act 2007 and the relevant laws regulating the preparation and approval of Nigeria's Budget.

Challenges and Suspicious Items in the 2018 Budget

There is a strong doubt as to the reliability and realisation of the assumptions of 2018 budget in the areas Education, Health and Agriculture. For instance, the allocations to education, agriculture and health sectors has contradicts UNESCO recommendations, the Abuja declaration and the *Maputu* declaration. Similarly, the allocation to these sectors are grossly inconsistent with the contents and projections of the Economic Recovery and Growth Plan Priorities. The projected recurrent expenditure has been allocated the sum of ₦3.49 trillion against ₦2.99 trillion allocated in the previous year, this translates to 16% increase over last year 2017. In addition, there is no allocation to North East Development Commission (NEDC) which was established to facilitate the rehabilitation and reconstruction of the North East which was ravaged by extremist Islamic sect (*Boko Haram*) crisis.

Other suspicious items in the budget includes:

1. An allocation of ₦308.42 million for the procurement of riot control equipment under the police formation and command headquarters. This is grossly suspicious.
2. A rise in the level of estimated cost of servicing debt. The estimates in the 2018 budget translates to a 17% increase over the amount expensed for the same purpose in 2017.
3. Another doubtful expenditure is the allocation of ₦10 billion under the ministry of works for settlement of liabilities for direct mandate projects under MDGs and SDGs.
4. An allocation of ₦5.5 billion under the federal ministry of Agriculture and rural development for support and coordination services.
5. Equally a project under the federal ministry of finance for the procurement of unspecified computer software costing the sum of N338 million is grossly suspicious.
6. Similarly, an allocation of ₦22.6 billion for research and development under the federal ministry of industry trade and investment is somewhat suspicious,
7. An allocation of N4 billion for maintenance of other MDAs in Abuja by federal ministry of works and housing is equally suspicious.
8. A project for Export Expansion Grant (EEG) allocated ₦19.3 billion under federal ministry of industry and trade is equally suspicious.
9. An allocation of ₦2.21 billion for social media mining suite under the directorate of state security service.

Factors responsible for the Delay in 2018 Nigeria's Budget

There are a number of reasons that could be related to the preparation, presentation, consideration and approval of the 2018 Nigeria's budget. Some are institutional while some are legal while others are due to ineffective and inefficient arms of government. The notable ones in this paper include:

1. Corrupt and inefficient dominant officers within the civil service of the federation, the statutory executive bodies of the federation as well as the National Assembly who always benefit from the funds fraudulently appropriated for ghost and white elephant projects.
2. Late preparation and submission of proposed estimates by Ministries Departments and Agencies.
3. Duplication of items and projects by MDAs in order to inflate their Budgetary Allocations.
4. Non compliance with the provisions of Fiscal Responsibility Act (FRA) (2007) as amended. Specifically, Contravention of part II (1.1), part III (1-13) which requires the preparation and presentation before the National Assembly a Medium-Term Expenditure Framework not later than four months before the commencement of next financial year.

5. Delay in the consideration and passage of MTEF and FSP before the presentation of the budget.
6. Constitutional lacuna concerning budget submission and passage into law.
7. Lack of Patriotism from both executives and the legislature.
8. Face-off between the executive arm of government and the legislature.
9. Padding of the Budget by the legislature.

Implications for the delay on Passage of Nigeria's Budget

1. The delay in the passage of the 2018 slowed down the rate of recovery of the Nigerian economy from the 2016 economic recession, and thus significantly affected the Economic Recovery and Growth Plan (ERPG) of the federal government. The world Bank (2018) describe it as a fragile recovery. For instance, the GDP growth as reported by National Bureau of Statistic (2018) declined from 1.95 percent (March, 2018) to 1.5 percent in (June, 2018) of the same year.
2. Poor implementation and non-implementation of many developmental projects due to the long period involved in the procurement process. This has led to serious infrastructure deficit as concurred with by Budget office report (2018).
3. The delay has led to uncertainty in the direction of government fiscal policy. Consequently, it caused absence of information in the capital market, loss of confidence by investors, sudden decline in the level of flow of local and foreign investments, slow recovery and growth of the economy.
4. Rise in the rate of Unemployment and Underemployment in the country. See NBS (2018) review of the economy.
5. Unnecessary pressure on the foreign exchange largely as a result of importation of unnecessary goods and material and other trips for education and medical services.
6. The delay has equally resulted to loss of support for government diversification programmes such as the Anchor Borrower Scheme, Conditional cash transfer, as well as local production and exportation of many international competitive products.
7. Loss of support and recognition by international donors, partners and organizations particularly in the areas of Joint funding of development projects.

Recommendations:-

1. Base on the above identified issues causing delay in the consideration and passage of budget in Nigeria, the following recommendations were made;
2. The Federal government should hence forth adopt a Zero-based Budgeting system where allocations of funds are strictly made based on need and relevance instead of the current incremental budgeting system.
3. The federal government should deploy political machinery such as lobbying that would promote synergy and coordination between the executives and the legislative arm of government.
4. Sections 81 (1-4) 82 (1), 339 (1) of the Nigeria 1999 constitution should be amended to set precise timeline for the various aspects of the processes including preparation, presentation, approval and implementation.
5. The amendment of the constitution should include appropriate sanctions (suspension, demotion, redeployment) for erring officers causing delay in any of the budget processes.

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