

The brief economic description of nigeria economics essay

[Economics](#)



Introduction

A budget is a formulated plan for a given future period, expressed in quantitative terms, used as a check on the outcome of a business activity (Kuye, 2009: 141). It is also a financial plan that serves as a pattern for and control over future operations, as well as systematic plan for using manpower, materials or other resources (Lawal, 2012: 211). In effect, a budget can be said to be the organizational objectives in a quantified form. It therefore means that every member of the organization who is to work with the budget should take it as seriously as they will take the organizational objectives. Having spelled out what an organisation is to achieve within a specific time frame, the budget states the cost implication of every objective. In the context of a country, a budget can therefore be said to be a document containing projected revenue against planned expenditures and expenses for a given financial year. It is to a country, a macroeconomic instrument, the core of public finance with respect to public revenue generation and public expenditure (www. scribd. com 26/02/13). After implementation, a budget could either be in deficit or in surplus. Budget deficit defined: Budget deficit implies that the government sets out on a budget in which expected expenditure during the period covered by the budget exceeds anticipated flow of government revenue (Olofin, 2001). This is a financial situation that occurs when an entity has more money going out than coming in or when expenditure outweighs income. It therefore follows that a budget surplus will have the revenue exceeding the expenditure. Aruwa, 2005: 3 cited Jouhson as stating that the budgeting process is the continuum of budget preparation, approval, execution, reporting, audit and review. This process

revolves round the executive and legislative structures in a democratic system. The case is therefore not different in Nigeria, being a capitalist economy, Aruwa, ibid also posited that the government plays an essential compensatory function; that is, it performs those functions that the market economy does not do efficiently or lacks the incentive to do at all especially with respect to allocation, distribution and stability.

Brief Economic description of Nigeria.

The Nigerian economy is one of the most developed economies in Africa. According to the UN classification, Nigeria is a middle-income nation with developed financial, communication and transport sectors. It has the second largest stock exchange in the continent. The petroleum industry is the backbone of the Nigerian economy. It is the 12th largest producer of petroleum products in the world. The industry accounts for almost 80% of the GDP share and above 90% of the total exports. Outside the petroleum sector, the economy lacks basic infrastructure. Many attempts have been made after 1990 to develop other industrial sectors, but they have been hitherto unsuccessful. However, due to the surge in international oil prices in 2007 and 2008, Nigeria managed an annual GDP of US\$352. 3 billion. The nation ranks 33 in the world in terms of GDP. The GDP per capita is US\$ 2, 400 ([www. economywatch. com/world_economy/nigeria](http://www.economywatch.com/world_economy/nigeria) 26/02/13). The recent GDP composition by sector is GDP - composition by sector: agriculture: 35. 4%; industry: 33. 6%; services: 31% ([www. indexmundi. com/nigeria/gdp_composition_by_sector](http://www.indexmundi.com/nigeria/gdp_composition_by_sector) 26/02/13).

THE BUDGET 2000.

This budget was titled the peoples budget by the then president Olusegun Obasanjo while presenting it to the joint session of the national assembly on Nov 24, 1999.

Policy thrust for the budget.

The policy thrust of the budget for the year 2000 was to lower the inflation rate, lay a solid foundation for private sector-led economic growth, pay profound attention to education and agricultural production and consequently reduce unemployment and poverty. With these, the government aimed to: Provide the frame work for taking government out of direct involvement in most economic activities which are best suited for private sector undertaking. Provide the enabling legal, fiscal and monitory environment for the private sector to become the effective engine of growth and development in the economy. Continue to improve the operational capabilities of the law enforcement agencies at crime prevention, detention and control. Continue with the policy of probity, transparency and accountability in order to reduce the cost of doing business in Nigeria. Fight illiteracy through the implementation of universal basic education scheme. Intensify the pursuit of poverty alleviation and enhanced food security through fiscal incentives to lenders and borrowers for agricultural production and by encouraging each state to concentrate on at least one crop for massive and intensive production within the state. Improve the health of the population through the rapid up-grading of our preventive and curative health care delivery system with particular emphasis on HIV/AIDS.

Fiscal Policy

The fiscal policy for year 2000 was designed to increase the level of government revenue and to promote overall economic development. In that regard priority sectors like oil and gas, export processing zones, solid minerals and agriculture was to receive increased fiscal incentives. Tax policy: The tax policy of government for the year 2000 was geared towards a low tax regime, with the intention to lower income tax rates, generate incentives and reliefs to reduce tax burden on tax payers. The effect of these measures was to broaden the tax base and to raise higher revenue from other non-oil tax source, particularly in the consumption tax (vat and duties). Petroleum profit tax: The approved tax incentives granted to oil companies for exploitation and utilization of associated gas was promulgated into law.

Revenue outlook for 2000

At \$18 per barrel, an export volume of 1. 836 million barrels per day, total receipt from government crude during the year 2000 was estimated at N572. 9 billion, petroleum profit tax was projected to yield N100. 0billion, while oil royalties was expected to generate N112. 2 billion, Domestic crude of 300, 000 barrels per day was estimated and valued at export parity and therefore was estimated to yield N187. 8 billion during year 2000, up stream gas and other miscellaneous earnings from the oil sector was projected to generate N41. 3 billion. Consequently, the total federally collectable revenue in the year 2000 was estimated at N1, 260. 0 billion.

Expenditure Estimated

Total federal government budgeted expenditure for the year 2000 was N470. 0 billion. This was as a result of enormous social problems ranging from unemployment, poverty and inadequate provision of social amenities.

Recurrent Expenditure

A provision of N170 billion was made for personnel emoluments to make up for the observed under funding in public service. This provision also gave room for some negotiated wage increase during the year.

Capital Expenditure

A total of N170 billion was proposed for the funding of capital development program of government. Out of the capital allocation, N20 billion as earmarked for the settlement of debts owed national priority projects. Also another N20 billion was earmarked to the funding of capital items of strategic importance to the machinery of government. An additional N10 billion was provided to offset part of the liabilities of PTF.

States and Local Finances

In year 2000 the federation account revenue was estimated at N709. 5 billion. The then existing formula was maintained until the revenue mobilization allocation and fiscal commission was duly set up, states got N170. 3 billion and local government councils got N141. 9 billion and special funds N53. 2 billion. The estimated value added tax was put at N60. 7 billion. In line with the VAT sharing formula, states were penciled down to receive N30. 4 billion, and local government councils N21. 2 billion in addition to the allocation received from the federation account.

External Debt Management

After the lifting of the embargo on external borrowing, no new loans were contracted. However, some categories of debt were not served; particularly those owed to the Paris club creditor countries as well as arrears on post-cut off debt due to resource constraints government set aside \$1. 5 billion for external debt servicing in the year 2000.

A BREAK DOWN OF ALLOCATION TO SOME MINISTRIES [PART A] RECURRENT EXPENDITURE

Ministry of woman and youth development N5. 3 billionAgriculture and national resources N4. 7 billionStates & local government N72. 8 millionWater resources and rural developmentN795 millionDefence N30. 3 billionNational population commission N716 million. Education 13 billionFinance N6. 5 billionHealth N8. 9 billionIndustry N1. 2 billionInformation N1. 8 billionInternal Affairs N7. 9 billionMinistry of justice N1. 3 billionEmployment labor & productivity N849 millionPower & steel N2. 4 billionScience & technology N1. 2 billionSolid minerals & development N1. 2 billionSpecial project 28. 7 millionSports & social development N1. 1 billionPublic complaints commission N248 millionFederal civil service commission N22. 3 millionMinistry of commerce N4. 1 billionTransport N1. 3 billionPetroleum resources N3. 8 billionWorks & housing N4. 4 billionCommunications N1. 06 billionMinistry of solid minerals N585 millionAviation N756 millionNational salaries & wages commission N110 millionFed. Character commissioner N291 millionMinistry of police affairs N427 millionCulture & Tourism N996 millionMinistry of Environment N586 million

PART B

Domestic debt service 70 billion

PART C CAPITAL EXPENDITURE

Agricultural & rural development N10. 7 billion National assembly N9. 8 billion Aviation N2. 6 billion Commerce N5. 8 billion Communication N292 million Cultural & Tourism N2. 1 billion Defense N9. 5 billion Education N13. 5 billion Employment labor & productivity N778 million Ministry of environment N1. 2 billion Ministry of federal capital territory N20. 2 billion Federal civil service commission N151 million Finance N9. 5 billion Foreign affairs N5. 2 billion Health N6. 6 billion Independent National Electoral Commission N1. 6 billion Industry N4 billion Information N1. 2 billion Internal Affairs N3 billion Judiciary N837 million Justice N907 million National Planning Commission N1. 5 billion National Revenue Mobilization, Allocation and fiscal commission N1. 5 billion Nation salaries, income and wages commission N55 million Petroleum Resources N2 billion Nigeria Police Force N9. 1 billion Police service commission N29. 5 billion Science & technology N3. 1 billion Sports & social development N4. 3 billion Water Resources N10. 8 billion Women & youth development N1. Billion Works & housing N45 billion The percentage of implementation of year 2000 budget according to the executive arm was stated at 64% but this was disputed by the legislative arm that the implementation was not more than 30%. Furthermore, 12% of the total vote was on capital expenditure while 88% was on recurrent expenditure. (See appendix 1).

THE END RESULT OF YEAR 2000 BUDGET IMPLEMENTATION.

During the year 2000, government maintained disciplined monetary and fiscal policies. This enabled the achievement of macro-economic stability. The result and effect of these have been single digit inflation rate, fairly stable determined exchange rate, stable interest rates and modest growth rate. The GDP in the year 2000 grew at 3% , which compared favorably with 2. 7% in 1999. However, the population growth rate of 2. 7% almost wiped out the growth in normal GDP. This indicated that per capital income and corresponding standard of people level of living barely improved. The real GDP per capital which declined by 0. 12% in 1999, increased marginally by 0. 1% in 2000. Value added in agriculture was estimated to grow at the rate of 4% in 2000 compared with 3. 90% in 1999. The external, reserves position improved from \$5. 4 billion US dollars in December 1999 to \$8. 2 billion in August 2000. The rate of inflation was 7. 5% in December 1999, by the end of year 2000, single digit inflation rate was maintained and it was expected to decline to about 4% by the end of year 2000. During the year 2000 as a result of the level of implementation of the budget, interest rates declined slightly, however lending rate was high and the spread between lending and deposit rate was too wide. The wage increases from May1 2000, saddled government with an unexpected heavy recurrent expeditor. By and of September 2000, total over head cost was N219. 2 billion. This amount is N49. 8 billion higher than the comparable budget of N169 billion for the period. Because of the late approval of budget 2000, there was the need to ensure the observance of due process and procedure in incurring expenditure, subsequently; expenditure was kept to match budget revenue.

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And this meant recurrent budget as a result of increase in wages eating into capital budget. In summary the resultant effect of year 2000 budget implementation was There was an improvement in human capital, through targeted investment in health, education, sanitation and skills acquisition. There was an upgrade on the performance of key infrastructure using private sector participation. Incentives were provided to attract increased inflow of foreign and domestic investment. The economy was a little bite diversified through private sector participation in production and export of manufactured goods. There was an increase in the foreign reserve. Inflation rate was maintained to a single digit rate. There was an increase in GDP from 2. 7% in 1999 to 3% in 2000.

The year 2000 budget resulted to a deficit of 2. 9%

REASONS FOR THE BUDGET DEFICIT OF YEAR 2000.

The level of money in circulation or money supply in the economy was not enough to fund government programmes as budgeted. Inflation: This is another reason for the budget deficit as this has to do with persistent rise in the general prices of goods and services, thus eating into the finances of government. Persistent budget delays. This has to do with the delays experienced in terms of preparation, screening, approval and implementation of budget. Priorities of government: This has to do with government not placing their priorities right e. g budgeting so much money on defence when the country is not at war, some of the many budgeted or defence should have been channeled to other sectors of the economy like healthcare or education. Mono- directional trade: This has to do with the government focusing majorly on the sale of crude oil to the international

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community and not exploring other avenues for generating money to fund their programmes. Slippages from target. Under commitment and under payment which is as a result of the absence of effective control.

A CRITICAL REVIEW OF THE NIGERIAN 2000 BUDGET.

A review of past Budget performance shows convincingly that the failure of the component economic policies to make appreciable impact is due to quite a number of factors that have become increasingly associated with our inefficient planning process and our collective failure to realize the critical importance of policy consistency as a precondition for good planning culture. The policy thrust of the year 2000 budget included, among others, the lowering of inflation rate, laying a solid foundation for private sector-led economic growth, paying profound attention to education, agricultural and manufacturing production, ensuring prices stability and reducing unemployment and poverty level. But these policy thrusts were poorly implemented and most of the objectives not realized. A review of budget 2000 showed that many of the objectives were not realized. The national economy was characterized by a weak, import-dependent industrial base and low productivity in the agricultural sector. We consequently continued to live with a weak industrial base, an inefficient agricultural sector, a weak private sector, dependence on a single sector-oil for revenue and high external debt overhang. Infrastructural facilities remained inefficient. The following are the plausible reasons for deficit in the 2000 Federal Budget:

Weak Federal Government budget process
Budget distortions
Laxity in budget discipline
Absence of transparency
Undue politicization of the Budget approval

process
Protracted delay in the release of Votes to the Ministries and other Government Agencies
Poor implementation framework
Poor coordination of Federal, State and Local Government spending program. Monetary and Fiscal Policy conflict
In many countries, especially developing countries, these problems are like a persistent rainfall that has continued to pour down on a parade
During the year 2000, government maintained disciplined monetary and fiscal policies. This enabled the achievement of macro-economic stability. The resultant effect of these have been single digit inflation rate, fairly stable, market determined exchange rate, stable interest rates and modest growth rate. In conclusion, although the budget was a product borne out of consultations and interactions with members of the National Assembly, the importance of stability and continuity in policy formation and implementation cannot be over emphasized. This will generate and enhance investors' confidence and make planning and resources allocation more meaningful. The government should strive towards establishing certain macro-economic policies and strategic direction that would restore the productive sector as the prime mover of the economy.

THE BUDGET 2001.

This budget was titled " road to recovery".

Policy Thrust for 2001.

Restructuring the Nigerian economy to make it market – oriented, private sector-led and technology driven. Reducing unemployment and increasing productivity. Maintaining price and exchange rate stability and a health balance of payment. Implementing the Universal Basic Education and skills

acquisition schemes. Improving the performance of major infrastructure such as power supply, Communication and transportation. Improving the operation, capabilities, effectiveness and efficiency of the law enforcement agencies at crime prevention detection and control. Entrenching probity, transparency and accountability in governance and ensuring value for money in public expenditure. Improving credit delivery and extension services to small and medium scale enterprises.

Fiscal Policy.

The fiscal policy thrust of the budget for the year 2001 was designed to achieve the following: Enhance capacity utilization in agriculture manufacturing and mining industries. Provide appropriate protection for domestic industries against unfair competition from import and dumping. Encourage diversification of foreign exchange earnings through increase export activities. Reduce operating costs and inflationary pressures. Provide appropriate incentives for investment in manufacturing, agriculture and mining.

Expenditure Estimates

Because of the limited resources then, there was the need to ensure prudence and discipline in expenditure pattern. To manage resources prudently they had to focus on the need to ensure value for money. In year 2000, UN in collaboration with the federal government officials carried out a country procurement assessment study, the outcome of which is expected to reform contracts award system in order to make it more transparent.

Recurrent Expenditure

The estimated recurrent expenditure for 2001 was N414. 2 billion naira, of this amount, the sum of N204 billion naira was earmarked for personnel costs, N110. 2 billion naira for over head cost and N100 billion naira for domestic debt service. The increase in personnel cost by N34 billion naira over the N170. 17 billion naira budgeted in 2000 was due to the wage review in the public sector.

Capital Expenditure

The capital expenditure for 2001 was 480 billion naira. The priorities of government were: Power and steel 69. 8 billion Works & housing 5. 3 billion Water resources 49. 8 billion Health 29. 1 billion Transport 23. 0 billion Agriculture 18. 1 billion

External Debt Management

As at September 2000, Nigeria external debt stock stood at the equivalent of N28. 5 billion US dollars out of which N19 billion US dollars was in arrears. Virtually all the arrears were due to the Paris club of creditors. In budget 2001, the total sum of N1. 5 billion US dollars was provided for external debt services.

A BREAKDOWN OF ALLOCATION TO SOME MINISTRIES [PART A] RECURRENT EXPENDITURE

N

States and local government 93 million. Police formations and commands 25 billion. Ministry of women Affairs and Youth development 8. 9 billion.

Agriculture and rural development 6. 9 billion Office of Auditor general for the

federation 623 million. Code of conduct bureau 325 million. Water resources 1 billion. Defence 38 billion. National population commission 985 million. Education 37. 7 billion. Foreign affairs 13. 6 billion. Finance 8 billion. Health 14 billion. Industry 1. 7 billion. Information and National Orientation 4. 3 billion. Internal Affairs 8. 8 billion. Office of head of service of federation 1. 3 billion. Justice 1. 8 billion. Labour & productivity 1. 1 billion. Power & steel 2 billion. Science & technology 1. 3 billion. Sports & social development 1. 6 billion. Public complaints commission 3. 9 million. Fed service commission 239 million. Commerce 1 billion. Transport 1. 6 billion. Works & housing 4. 3 billion. Communications 1. 9 billion. I. N. E. C 2 billion. Solid minerals 647 million. Aviation 832 million. Fed character commission 305 million. Min. of police affairs 489 million. Culture and tourism 1. 4 billion. Ministry of environment 945 million.

PART B CAPITAL EXPENDITURE EXECUTIVE

Agriculture and rural development 10. 5 billion. Auditor-General of fed 679 million. Aviation 2. 1 billion. Commerce 2. 2 billion. Communications 447 million. Culture and tourism 2 billion. Defence 20. 5 billion. Education 24. 8 billion. Employment and labour 525 million. Environment 761 million. Fed. Capital Territory 26. 8 billion. Finance 2. 1 billion. Foreign affairs 2. 6 billion. Health 19. 4 billion. I. N. E. C. 2. 4 billion. Industry 7. 4 billion. Information 6. 3 billion. Internal affairs 7. 5 billion. Justice 1 billion. Petroleum resources 463 million. Power and steel 78. 3 billion. Science & technology 1. 4 billion. Solid mineral development 1. 3 billion. Sport & social development 13. 2 billion. Transport 1 billion. Water resources 63. 7 billion. Women affairs 727 million. Works & housing 70. 4 billion.

Percentage Of Implementation For Budget 2001.

The percentage of implementation for 2001 budget was 50% according to CBN annual report. Furthermore, 54% of the budget went to capital expenditure while 46% was on recurrent expenditure.(See appendix 2)

The End Result Of The Implementation Of Budget 2001

The overall macro-economic performance of the Nigerian economy during the budget year 2001 was rather unimpressive. In the real sector the performance of the manufacturing sector was particularly weak. In the monetary and financial sector. The growth of money supply (M2) exceeded the target, and spectra of inflation re-appeared, from a level of 5. 4% in December 2000, the rate of inflation has surged to 18. 4% as at Sept 30 2001. It exceeded a distressing 20% by December 2001. Only in the external sector could one find some reason for optimism. The balance of payment was satisfactory and gross external reserves remained relatively buoyant, equaling US \$10. 5 billion in Sept 2001. However, massive external debt service payment continued (www. cenbank. org 20/02/13)

Real Sector Performance

In this context, emphasis was placed on the performance of the agricultural sector and of industrial / mining sector was pegged at 3. 9% as at Sept 30 2001. This compares with growth rate of agricultural output of 3. 5% in 1998, 3. 7% in 1999, and 3. 3% in 2000.

Performance Of The Industrial Sector

The performance of the industrial sector 2001 was quite disappointing.

Available data shows that growth in industrial value added was negative

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while capacity utilization improved marginally. The index of capacity utilization which was 32. 4% in 1998, fell to 32. 0% in 1999 and slipped further 30% in 2000. However, capacity utilization rose to 35. 5% in 2001.

Performance Of Monetary And Financial Sector

There was an expansion in fiscal spending and very rapid growth of money and credit. Government (in the three tiers) spent exuberantly during the year 2001, partly as a result of rising revenues. In the first half of the year, the federal government expenditure was 77. 6% higher than it was in the preceding period of 2000. CBN data shows that broad money or M2 increased by 28% which was more than twice the targeted rate of 12. 2% for fiscal year 2001. The aggregate credit to the economy galloped by 32. 4%

Inflation

After staying at the single digit in 1999 and 2000, inflation surged to double digits in 2001. From a level of 7. 6% in 1999 and 5. 4% in 2000, it jumped to 18. 4% in 2001.

External Sector Performance

The external sector was moderately satisfactory in 2001. The overall balance of payment was in surplus to the tune of N51. 1 billion. Current account surplus amounted to N150. 9 billion while trade balance was in surplus to the tune of N550. 2 billion. Total export equaled N1, 218. 5 billion, an increase of 42% over 2000 figure. The 2001 budget resulted to a deficit of 4. 1%.

Reasons For The Budget Deficit Of Year 2001

Institutionalized policy, policy somersault and policy conflicts. Faulty implementations strategies, especially duplications and mismanagement. Distortion in public sector spending priorityDestructive and absurd regime of multiple taxes. Comparatively poor fiscal incentives to the real sector compared with the financial sector. The lack of rational basis prioritizing choices in the face of dwindling resources. In this situation, funds are not channeled to projects that can be reasonably completed, given the available resources. Lack of integration among public sector policy making, planning, budgeting, management systems and processesThe rising inflation in year 2001 has been primarily attributed to reckless spending by all the three tiers of governmentInappropriate macroeconomic planning frame work.

A critical review of the Nigerian 2001 budget.

The Nigerian 2001 budget during ‘ The Obasanjo’ administration was more carefully planned than previous years. The central objective was to achieve at least, 3% growth rate in Gross Domestic Product (GDP) and to achieve stability in the macro-economic policy, which was a pre-condition for sustainable economic growth. The budget was designed to be market-oriented, private sector-led economy and technology driven. In addition, it was aimed at stimulating agriculture and industrial production, ensure price and exchange rate stability and healthy balance of payments, reduce lending rates and improve savings among others. An important issue to be pointed out in the 2001 budget was its early passage by the National Assembly. Given the controversy over last years’ federal budget and consequent delay in passing it, the executive and the legislature deserve commendation for

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resolving their differences in time to ensure an early implementation of 2001 budget. A delayed budget causes a lot of uncertainties and uneasiness in the business community. It is bad for foreign and local investors and should be avoided. There was issue of appropriations between the arms of government, which was the reason for most of the friction between President Obasanjo and the National Assembly. While the executive expressed displeasure over the slow pace of work on its budget proposal, the legislature on the other hand pleaded with good reasons that it needed adequate time to be able to do a thorough job on the budget. That is why President Obasanjo should be commended for sending the budget proposal in time, and the legislature for immediate passage of the Appropriation bill. Of the total projected budget of about 894. 2 billion, recurrent expenditure (general administration) accounts for 496. 5 billion with the balance earmarked for capital expenditure (investments). Total expenditure far exceeds the year 2000 budget in nominal as well as in real terms, given the decline in the rate of inflation. But the cost of administration increased vastly with a negative impact on the investment ratio. With the current greater stability in the macro economy, the 2001 budget was to pave the way towards a modest recovery of the national economy. The vast increase in the capital expenditure, if carefully handled, was to lead to an increase in employment, as was to put more people back to work knowing that the biggest problem of the economy remains mass unemployment and deepening mass poverty (Mass poverty is both an economic and moral problem which undermines national and social development). Equally, the 2001 budget did not seem to adequately address the problem of the high

bank interest rates on lending. The gap between savings and lending rates was too wide, and was the predictable response to the excess liquidity in the system, a situation that the banking sector found very comfortable indeed. The increased allocations to infrastructure in the 2001 Federal budget did not make a difference to the ailing infrastructure. But, gave Nigerians poor record of budget implementation, no one could certain that there were any significant improvement in the infrastructure particularly in the supply of electricity. The long-term solution to the poor performance of the entire energy sector, including oil and gas, was to expedite the process of privatization in the sector. The failure of public utilities and its constraint on the national economy can only be ended through privatization.

The budgeting control that was not put in place by the government from our own perspective.

Non-presentation of budget as at when due: Budget delays in terms of preparation , screening, approval and implementation and also the usual long delay in publishing the approved budget for distribution to the ministries and the public in general. Ineffective or non functional monitoring mechanism. The monitoring and evaluations of activities are weakened by lack of adequate skilled personnel. Non-compliance with established priorities: Spending authorities are unduly flexible when it comes to compliance with established priorities. Unrealistic budgeting: There is a high tendency for officials to present an exaggerated estimate of expenditure while the revenue is usually grossly underestimated. Parity of good quality data for budget preparation, monitoring and evaluation. Non participatory Budgetary process: The budget process is largely non- participatory. The

budgeting exercise is often dominated by the executive and legislative arms of the government. Unrealistic budget targets: unrealistic & unexpected changes in anticipated government revenue can lead to government not actualizing budgeted targets, so adequate control need to be put in place so as to realize all budgeted revenues.

Design an Appropriate Budgeting Mechanism That Can Lead the Nation towards Turning Our Budget into Action That Can Fulfill National and International Objective of A Nation in the Stature of Nigeria.

Budgets over the years have been pivotal towards the development of Nigeria as a country. This is because budget is an important instrument of national resource mobilization, allocation and economic management. However, our National budget has not been effective due to several reasons (two or three paragraphs culled from the criticism of the National Budget 2000 -2001). For an effective budget mechanism capable of leading our nation towards the achievement of National and International Objectives, it is paramount some steps are to be taken as discussed below;(Model created by group A members)

Budget Preparation:

Budget preparation entails the formulation of the budget plan for the year. It has to do with the allocation of resources to accomplish set national goals and objectives with the aim of meeting needs of the nation as a whole.

Budget preparation is in three phases; Determination of the Nation's Needs – The needs of the nation involves identifying with the objectives and goals the nation a whole intends to accomplish within the budget's time frame. These

needs are arranged in order of preference which must be viewed and approved by all major participants in the nation. Thus, the budget team is to review what was accomplished in the previously budget time frame, identify the pending objectives yet to be accomplished and define the new set of objectives and goals the nation seeks to complete in the new budget. This would all be identified and arranged in order of preference to the benefit of the nation.

Identification of Resources Required – Every budget with set objectives and goals to accomplish requires resources to achieve the goals and objectives set in the budget. An inventory would be taken to ensure that accurate information on the resources available for the budget is in place. All other inventories unaccounted for in the budget would be created in the budget.

Allocation of Resources – The resources available are matched up with the determined goals and objectives to be achieved in the budget. This has to be explicit to ensure that a situation of unpreparedness does not come to play. The budget preparation involves the disbursement of resources towards the accomplishments of national goals and objectives determined.

Budget approval:

Legislative Approval – Upon completion of the budget preparation process, the budget team would present the budget to the Legislative arm of government for approval. During this period, the budget would be verified to be in the best interest of the country and an approach to move the nation in her desired direction. The budget would also be scrutinized, simplified and ascertained by the various government arms that the resources stated in the budget would accomplish the goals and objectives set in the budget.

Budget Implementation:

Application of the Resources – Once the approval for the budget has been received from the legislative arm of government; the resources would be disbursed to the concerned sector with the aim of implementing the budget and achieving the determined goals and objectives. The execution of the budget as prepared is very vital, as it would determine the level of achievement made by the nation as a whole.

Budget Performance Review:

The budget performance reviews the budget to determine the level of progress achieved implementation of the budget. This would be done at the end of every implementation phase and the report would determine the next line of action. During the performance review, there are two likely outcomes which are: Satisfactory Performance Review – Upon review, the performance would be termed satisfactory if the variance between the actual outcome and the expected outcome of the performance review is insignificant. Based on the outcome, the implementation team would proceed as expected. Once the objective has been accomplished, a report would be drafted and sent in to conclude the task assigned. Unsatisfactory Performance Review – A situation where the performance review reveals that the actual performance is significantly different from the expected performance, the performance would be termed unsatisfactory. During this point, the budget team has to revisit the budget and revise it to an objective more achievable.

NOTE:

The budget has to be done in a timely manner. Nigeria as a country has been known to use delay tactics as a means of disrupting the implementation level achieved for our national budgets. Our National budget is meant to be completely prepared and approved before we start the year/timeframe it is meant for. For example, if a budget is made for 2013, it should be prepared and approved before January 2013. For an improved implementation level, the implementation stage is meant to start at the beginning of the budget's timeframe, January 2013 as in the case of the example above. The budget must be clear, precise, measurable, comprehensible, reasonable and achievable. The budget does not have to be complicated rather, it is meant to be simple and defined. This would ease the implementation phase and performance review phase. Implementation and performance review should be done in phases within the given budget timeframe. Segmenting the budget into phases for implementation and performance review within the stipulated timeframe serves as a control method in ensuring that the implementation level is significantly high. For example, if the implementation phase is reviewed quarterly rather than yearly, the governing bodies can easily identify, monitor and control any discrepancies established during the implementation phase. Resources required for implementation of the budget must be made available on time for proper implementation. Over time, it has been revealed that delay in access to resources has been one of the key factors to the low level of budget implementation. Funds should be made available at the set point of implementation for a smooth budget process. Still on appropriate budgeting mechanisms, in another perspective, these

could be done: To address the challenges often associated with budget processes, an appropriate budget mechanism will be drawn taking cognizance of four key areas these are:(a) Public finance management and improved budgeting: for us to achieve this we have to do the following: Determine appropriate spending priorities that reflect the yearnings and aspirations of the people within the limits of available resources. Ensure that budget is comprehensive enough to include all revenues, expenditure as well as key programmes it should not be a piece meal. There is need for transparency. All revenue sources and expenditure must be exposed and incorporated into the budget process including consideration by the legislature. Building technical capacity for the legislature: there is the need to provide adequate resources to enhance the technical capacity of legislators. Strengthening the planning, research and statistic department and budget divisions in the ministries. Improve expenditure management through delegation of authority. Strengthen planned budget linkage. Restructure government expenditure and expenditure responsibilities.(b) Expansion of revenue base to enhance internally generated revenue: for us to achieve this; we have to recognize the following: The need to diversify the economy, de-emphasizing reliance on oil revenue and this provides opportunities for increased tax revenue and thereby increase the number of claimants to the revenue side of budget. Laying more emphasis on increasing internally generated revenue in order to brighten the prospects for effective budget implementation, enlarge the tax base and reduce tax gap.(c) Increased participation in the budget process: Increased participation in the budget process. This refers to a process in which decisions regarding

allocation of resources for the provision of services and implementation of projects are taking jointly by all the stakeholders.(d) Improved budget implementation: For effective budget implementation there is a need for a paradigm shift in budget preparation. There should be a conscious transformation of the budgeting horizon from the traditional annual budget to multi year budgeting within a medium – term expenditure framework (MTEF). There is the need for expenditure tracking as an institution framework for taking the flow of resource through various layers of government bureaucracy and providing local communities with information about funds allocated to particular services in their area. Effective monitoring and evaluation to minimize corruption, promote transparency and accountability and ensure that the people derive the expected benefit. The legislative oversight functions relating to budget performance should also be strengthened especially at the state and local government levels.