

REFORMING AND MODERNISING NIGERIA'S FEDERAL BUDGET PROCESS, 1999-2017: A HISTORICAL AND LEGAL ANALYSIS

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Abstract: Relying on a combination of data and records obtained from official and non-official sources of information in Nigeria and using a content method of analysis, this paper reconstructs the history, challenges and outcomes of budget reforms in Nigeria from independence in 1960 to the present. The study shows that too little was done to reform the budget process before 1980 and that reforms made under the Presidency of Olusegun Obasanjo and Umar Yar'Adua were the most fundamental and impactful of all the reforms made on the Nigerian budget process since the year 2000. The study concludes that significant outcomes of the reforms have become manifested in substantial reduction in the burden of public debt and in significant reduction in cases of fraud and leakages in expenditure in the form of moneys paid to rapacious 'ghost' workers for work not done and to contractors for value not added.

Keywords: Budget Reform, Fiscal Responsibility Act, Public Procurement Act, IPPIS, GIFMIS, Ghost Workers

Every budget reform in the public sector seeks to achieve three things: (i) accountability in the use of public resources (ii) efficiency in the disbursement of public funds (iii) a slimmer and more efficient fiscal system and (iv) avoidance of all forms of corruption, revenue leakages and wastage. The Nigerian state has hardly been enthusiastic in the search for budget reforms. Its governments have, in fact, from the colonial era up to about 2000 been very leisurely in advocating for or taking concrete steps at reforming the processes for the allocation of revenues and the expenditure of the same through the public budget.

Much of the cosmetic changes that the country had before year 2000 had been taken more by just one administration compared to several others under colonial and military regimes that ruled the country between 1861 and 1999. The result, therefore, had been that the Incremental System of budgeting

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with all its imperfections, which had been cultivated by the colonial government and handed over at independence in 1960 was what successive governments at the federal level been using. The colonial government of Nigeria made no single attempt at reforming the budget process. It relied, at all times, during 1861 up to 1960 on the conservative incremental system and the policy of ensuring that expenditure did not exceed revenue no matter how patently essential.

The incremental system of budgeting works by simply using the hindsight approach to providing for the needs of government. Under that system government takes the estimates and actual expenditure of Ministries Departments and Agencies (MDAs) in the previous year as given and without much further ado makes provisions for a marginal increase based on a rule-of-the-thumb of say 10%, depending on the level of inflation, to make the budget for the current year.¹ This type of budgeting has been aptly referred to as the “traditional approach” to resource planning which is actually an arm-chair approach to resource allocation.² Incremental Budgeting system should be differentiated from the more technical but resource efficient type of budgeting called the Zero-base Budgeting or Planning, Programming and Budgeting System (PPBS), which applies the cost-benefit approach to resource use and ensures that every item that is inserted in the budget document is proved for its value-added, relevance and fiscal efficiency.³

Prior to 1982 none of the Nigerian governments including the colonial government that ruled the country from about 1861 to 1960 ever experimented with either the PPBS or the multi-year budgeting system which could have been much beneficial to the country or any developing economy for that matter as it held the potential for preventing bureaucratic bottlenecks from holding down the resource allocation process. However, under President Shehu Shagari (1979-1983), there were two cosmetic attempts at reforming some aspects of the budget. The first was directed at the financial year of the budget itself, which from 1914 up 1980 had been based on a period running from 1st April of a year to 31st March of the succeeding year. In 1980, the government of President Shehu Shagari succeeded in proposing an amendment to this fiscal year when the National Assembly approved the period of 1st January to 31st December of every calendar year as Nigeria's budget year.⁴

¹ Aaron Wildavsky, *A Comparative Theory of Budgetary Processes*. Boston, Little, Brown and Company, 1975, p. 15-22.

² See A. Schick, „Incremental Budgeting in a Decremental Age,, Policy Sciences”, (Springer, Maryland) vol. 16, 1983, p. 1-25.

³ John F. Due and Ann F. Friedlaender, *Government Finance: Economics of the Public Sector (Sixth Edition)*. Homewood, Illinois, Richard D. Irwin, INC., 1977, p. 139-140.

⁴ See, Federal Republic of Nigeria, *Financial Year Act, 1980*, section 1.

The second seeming reform was done in 1982, again by the President Shagari's government which, due to the dire need for fiscal efficiency following the sudden decline in revenue, experimented with the Planning Programming Budgeting System (PPBS). But this experimentation was not seriously followed through as the government abandoned it in the following year. However, the experience, outcome and the dynamics of such experimentation have been well covered in the thesis of Timitiniko Enodien and, as such, would not need to be reinvented here.⁵ Still, the result of the experimentation was that no success was made of the PPBS and the government, mid-way in 1982, had to abandon the system for the traditional Incremental Budget system that it had become accustomed to. Some of the reasons why the PPBS reform failed was that politicians just could not cope with the discipline required by the system, which was that no expenditure could be done without a prior study of the cost-benefit analysis and scientific planning of resource application which gave no room for corruption and all forms of cronyism that the government of President Shagari was reputed for.

The succeeding military governments which ceased power from President Shagari could not be bothered by any other form of budgeting than the incremental system which it had inherited as it presented a simplistic way to resource use and as such, they made no single attempt at reforming the budget from 1984 to 1999. It was the civilian and democratically elected government of President Olusegun Obasanjo that took the very bold though belated steps at reforming the way Nigeria's budgetary processes and the legal framework for resource use via the budget was done. Although no name specific names was given to this process but the steps taken coupled with the supporting legal environment that was created for budgeting in Nigeria showed that the reforms followed the pattern commonly associated with Planning Programming Budgeting system.

Reforms under Presidents Olusegun Obasanjo and Umar Yar'Adua, 1999- 2007

By the middle of the 1980s, it had become very clear that Nigeria's budgetary processes were bedevilled by huge problems of corruption, deliberate subversion of the legal framework for fiscal prudence and wastes of public resources. But the government in power then, i.e. the military government of President Ibrahim Babangida did little or nothing in spite of its Structural Adjustment Programme (SAP) launched ostensibly to reform the Nigerian financial process in apprehending the problems rather it contributed to the subversion of even its own fiscal policies and the rules of fiscal engagement.

⁵ Timitiniko P. Enodien, *Budgeting and Financial Management in the Public Sector: Nigerian Experience*. PhD Thesis, Pacific Western University, California, 1984.

The Federal Office of Statistics (FOS) could not hide this fact when it had to admit rather frankly in its review of Nigeria's economy from the 1980s up to 1996 that:

Although the Structural Adjustment Programme (SAP) was aimed at improving the public expenditure planning and budgeting system, the development since the adoption of SAP has been worrisome. Fiscal balance has been consistently largely negative since 1987, even worse than what obtained between 1980 and 1984. As a point of emphasis, fiscal indiscipline has jeopardised the sustainability of the reform process and introduced uncertainty that has delayed the recovery of private investment. Increased off-budget spending and continued financing of unviable projects since 1990 has eroded fiscal and monetary discipline. These spendings (sic) were generally not directed at basic social infrastructure and services that could have created a conducive atmosphere for private sector operations.⁶

By the time President Babangida left power in August 1993, Nigeria's budgetary process and the necessary accountability profile that should be ascribed to it had fallen too deeply into utter disrepute. General Sani Abacha who took over in the same year but shortly after (that is, in November 1993) inaugurated a panel to review and probe into the financial activities of the Central Bank of Nigeria (CBN) and the Federal Ministry of Finance with a view to reviewing their budgetary functions and reforming their operations. But the government failed to implement the recommendations submitted to it by the Pius Okigbo Panel of Inquiry which it set up on these issues. It simply played to the gallery with it as the budget processes still continued to be in shambles.

Relief did not come the way of the processes of budgeting in Nigeria until the Ministry of Finance, very early in the first term in office of President Olusegun Obasanjo called on the Fiscal Affairs Department (FAD) of the International Monetary Fund (IMF), in July of 1999, to help study and make recommendations to the Federal Government on how best to reform the Nigerian budgetary processes in such a way that government would be able to block leakages and wastage as well as achieve optimum accountability in the use of public resources. The FAD's team was in Nigeria between 10 and 28 August 1999 and it was given two specific terms of reference to:

First, review the present system of fiscal and budget management and to make recommendations for their improvement, and second, to prepare a reform programme for a joint UNDP/IMF programme of technical assistance,

⁶ Federal Office of Statistics, *Socio-Economic Profile of Nigeria, 1996*. Lagos, FOS, 1996, p. 37.

a major element of which will be in the area of public expenditure management.⁷

As at the time the FAD team came “at the request of the Ministry of Finance of the Federation”, the Minister in charge of Finance was Mallam Adamu Ciroma, a politician who had been at the corridors of power for more than four decades in Nigeria. He had at different times served as Governor of the CBN under three different Military administrations between 1975-1977⁸ and, in the Second Republic, he was a Minister under President Shehu Shagari. The IMF’s FAD made its recommendations to the Federal Government in the following words: (i) “From now on, when line Ministries propose a new expenditure plan or policy to Cabinet, the Federal Ministry of Finance (FMoF) should submit to Cabinet in writing, its views on the costs and affordability of the proposal”; (ii) “Work should begin immediately on a comprehensive audit of outstanding payments of arrears,⁹ to be paid through a comprehensive plan that will begin payments in the year 2000”; (iii) A Medium Term Expenditure Framework (MTEF) for Nigeria should be developed”; (iv) “Improvements are needed in budget planning, presentation and classification, with an emphasis on programme budgeting to enhance transparency and accountability and to deepen budget analysis. The capital and recurrent budgets should be integrated”; (v) “The present manual payroll system should be replaced with a computerised personnel administration and payroll system”; (vi) “Steps should be taken to develop a computerised Government Financial Management Information System (GFMIS)” and; (vii) “Two IMF resident advisors to assist on reforming the budget process and on improving budget execution are proposed...”

However, the government appeared not to have been satisfied with the FAD’s recommendations for, in January of 2000, it set up yet another panel for the same duty it had asked the FAD’s team to perform. This latter panel was called “The Budget System Review Committee” led by the economist, Professor Dotun Phillips, formerly of the Nigerian Institute for Social and Economic Research (NISER), Ibadan. Professor Phillips’ Review Committee was inaugurated on 10th January 2000, barely eight months after President Obasanjo came to power and about four months after the IMF’s FAD submitted its report on the same subject of budget reform. The Committee had as its terms of reference, among others, the duty to:

⁷ Federal Republic of Nigeria, *Strengthening the Federal budget System in 2000 and Beyond: Report of the Budget System Review Committee* (Main Report, Vo. 1). Abuja, Federal Ministry of Finance, 2000, p. 131.

⁸ See Central Bank of Nigeria, *CenBanknews*, vol. 23, N. 65, October, 1999, p. 4.

⁹ That is, the payment of Nigeria’s external debt which was then estimated to be about \$32 billion. See Debt Management Office, *Nigeria’s Debt Relief Deal with the Paris Club*. Abuja, DMO, 2005, p. 4.

1. Examine the budgetary process of Ministries/Agencies from conceptualisation to formulation and implementation, with a view to identifying bottlenecks, structures and practices within the Ministries/Agencies militating against transparent and realistic budgeting;
2. Identify factors that had occasioned exaggerated and unrealistic proposals which had, accordingly, impacted on costing of capital projects by Federal Ministries and Agencies;
3. Fashion out a new approach towards achieving realistic budgeting with a view to minimising distortions in the costing of projects and thereby eliminating wastages through the application of empirical costing approach showing job content analysis and attainable targets;
4. Examine and identify the sources and nature of all components that would go into the determination of the costs of projects which had made project implementation expensive and;
5. Review the recommendations entitled "Nigeria: Reforming Fiscal and Budget Management" submitted by the IMF on our invitation, for adaptation or adoption.¹⁰

The Phillips' Committee unlike the IMF's team did not just make its recommendations based on what it could gather from only government sources, but rather called for memoranda from the public and especially the informed public such as the Institute of Chartered Accountants of Nigeria, Nigerian Society of Engineers on the very important issues of the cost of government contracts and the perceived and proven over-padding of government capital budgets so that by March 2000, when it was submitting its first and main report, it had quite sumptuous recommendations on improving Nigeria's budgetary system. The Committee had first studied and evaluated the then existing budget system, factoring into its calculus the history of revenue and expenditure outlays in Nigeria since 1960 and it found to its utter chagrin that: (i) "There was little attempt to fully ascertain and provide fully for existing financial commitments before new commitments were admitted into budget; (ii) There was little systematic modality for annual review and confirmation (or otherwise) of the continued existence of votes and programmes carried over from previous budgets, i. e. a procedure similar to zero-base budgeting process; (iii) Large expenditure items (at times accounting for about 100% of annual budget) such as the "JVCC, External Debt Service, NNPC National Priority Projects", etc, escaped annual budget scrutiny; (iv) There was no structured estimates of capital revenue which accrued to the Development Fund; (v) Votes which were likely to be largely used to purchase foreign exchange were never so

¹⁰ Federal Republic of Nigeria, *Strengthening the Federal budget System in 2000 and Beyond: Report of the Budget System Review Committee*. Abuja, Federal Ministry of Finance, 2000, p. 1-2.

indicated in the budget book, also, there was no specific vote for international transport and travels; (vi) There was the tendency to exploit the budget formulation process for ‘kickbacks’ and patronage and; (vii) Overall, the annual budget had lost its sanctity and few people expected that it would ever be fully implemented at any time”.

Thus, the Committee recommended the following ameliorative measures which, in its own rationality, would help cure the ills it had discovered. It, indeed, recommended as follows:

1. “Revenue estimates should be divided into recurrent and capital categories. The capital revenue which should accrue to the Development Fund should include budget surplus (if any), grants, fresh loans, draw-down on existing loans, proceeds of sales of assets, and so on. Capital revenue estimation should also be a structured formalised process as for recurrent estimation”;¹¹
2. “Only the budget office of the Federation under the Ministry of Finance should henceforth be fully responsible for all aspects of budget formulation, implementation and monitoring;
3. “Multi-year (3-4 years) budgeting should be adopted and attention should shift from single year’s budget deficit/surplus to budget balance over a 3 to 4-year period without prejudice to proper development planning by those concerned;
4. As from 2001, the budget should be prepared with a view to ensuring its sanctity and full implementation, as long as there is no major unforeseen national or world-wide calamity and;
5. Section 84 of the 1999 constitution should be reviewed by drastically reducing the number of institutions whose annual budgets are treated as “first-line charges” on the Consolidated Revenue Fund”.¹²

Acting on both recommendations made by the IMF’s FAD and the Professor Phillips Committee but more on the former than the latter, The Federal Government decided on reforming the budget system of Nigeria in three major ways: (i) Reform of the Process of budgeting and financial planning (ii) Reform of the Legal Framework and (iii) Institutional Reform. Though not specifically announced as a revolutionary process of reforming the Nigerian fiscal system, but the manner of implementation of the reforms and the scope it covered was by every standard used, a revolutionary step of no mean proportions since Nigeria’s independence. The reform process came rather stealthily and unannounced after the Professor Dotun Phillips was submitted in

¹¹ Federal Republic of Nigeria, *Strengthening the Federal Budget System in 2000 and Beyond: Report of the Budget System Review Committee*, p. 12.

¹² *Ibidem*, p. 12-14.

March of 2000. Therefore, no specific date may be given for its exact commencement but it appears to have started in the second term in office of President Obasanjo because the IMF's "experts" that were recommended by the FAD team in August 1999 did not arrive until July 2003. This was signalled by the appointment of Mrs. Ngozi Okonjo-Iweala who came from the World Bank to become Nigeria's Minister of Finance after Mallam Ciroma had left in May 2003. Mrs Okonjo-Iweala was also appointed Head of President Obasanjo's Economic Team in which she served for three years. Again, Mrs. Obiageli Ezekwesili, an accountant and another "expert" who had worked with Professor Jeffrey Sachs at the Centre for International Development at Harvard was also appointed, consistent with the IMF's recommendation, to take charge of the duty of ensuring that budgetary leakages through the award of contracts and the pricing of government purchases were blocked.

Reform of the Budget Process: Publication of Financial Allocations, Establishment of IPPIS and GIFMIS

Again, under the regime of President Umar Yar'Adua, the Federal Government continued one of the most profound reform policies in its budgetary processes when it introduced the Government Integrated Financial and Management information System (GIFMIS) which in fact, was a complimentary fiscal reform measure to IPPIS. It was designed and introduced by the Federal Ministry of Finance in September, 2009 as part of the anti-corruption and anti-revenue leakage policy of government aimed at harmonising all expenditure and payment activities of the MDAs with a view to detecting any fraudulent or corrupt practice in the use of public funds. It was to arrest all multiple and fraudulent payments for the same expenditure commitment of government which had before that time become rampant in the budgetary process of Nigeria. GIFMIS was in fact, a sub-component of the much wider public sector reform policy called Economic Reform and Governance Project (ERGP) which the World Bank had demanded and later approved in December, 2004 as a first step towards agreeing to support the restructuring of Nigeria's hitherto huge debt burden of about \$32 billion.¹³ President Olusegun Obasanjo had sought desperately to get the debt burden reduced or amount due part-written-off to permit Nigeria wider latitude for funding her development projects as contained in her capital budgets. GIFMIS was therefore primarily aimed at "...supporting public resource management and targeted at anti-corruption initiatives through modernising fiscal processes using better methods, techniques and information technology".¹⁴

¹³ Debt Management Office, *Nigeria's Debt Relief Deal with the Paris Club*. Abuja, DMO, 2005, p. 5-6.

¹⁴ Government Integrated Financial and Management Information System, "About GIFMIS". <http://gifmis.gov.ng/gifmis/index.php/anout.gifmis>. Accessed 5 May, 2016.

Hence, GIFMIS was made for the purposes of cancelling the hitherto fraud-prone multiple bank accounts kept by the MDAs within the treasury which made cash availability forecasting and cash management utterly difficult. GIFMIS was also established to address the lack of integration between different financial and management functions and processes which for example created disconnection between the way the budget was prepared and the execution of the budget through the chart of accounts. Therefore, government came up with GIFMIS so that there could be a rapid and more efficient way of accessing information on its (i) financial and operational performances (ii) the ability of government to undertake a central control and monitoring of expenditure and receipts of the MDAs and (iii) increase internal control mechanism for detecting and preventing actual and potential frauds in budget implementation process.

Institutional Reform: Establishment of the BMPIU and the Budget Office of the Federation

The first step at reforming budgetary institution was taken in in 2003 with the creation of a new department of state called the Budget Monitoring and Price Intelligence Unit (BMPIU) whose common name was “The Due Process Office”. Mrs. Obiageli Ezekwesili was appointed its first Director by President Obasanjo. It was set up primarily to check sharp practices in public procurement by ensuring that there was value for money in the execution of government project particularly in seeing to it that capital projects were executed at the right cost to public treasury by reducing over charging ort over pricing in government procurement process. It was also set up to ensure that government contracts were not awarded to incompetent contractors who lacked the requisite expertise and that favouritism and nepotism was cut to the barest minimum in the determination of who got government contracts. The office ensured that no contract was financed except it had previously been included in the approved annual budget and a cost-benefit analysis report attached to its funding profile. The Office was very unpopular with politicians and contractors because ti blocked all avenues of political patronage and rent seeking.

The second step that was taken by government to reform the institutions of budgeting was the establishment of the Budget Office of the Federation as a separate Agency of government under the Presidency. This office was granted its independence from the Ministry of Finance in July 2003 by the regime of President Obasanjo. Although in the regime of the military government of General Ibrahim Babangida, a separate Ministry of Budget and planning had been created, that momentum did not last more than two years as the government which created it jettisoned it when it re-connected it to the

Ministry of Finance in 1992 together with all the consequences of the debilitating bureaucracies that had become its Achilles heels up to that time. The essence of having a separate budget office that would be of a cabinet status and free from the bureaucracies of the Ministry of Finance was not lost on the government of President Obasanjo. Hence, the office was made a separate agency in the Presidency of Nigeria with full powers to provide budget functions in a more efficient and effective way than was possible under the previous process. The office was required to perform such functions as: (i) budget preparation (ii) oversight on actual budget implementation and (iii) monitoring and evaluation of the budget process. That office has survived till date as a very critical instrument of fiscal policy implementation and of giving support to both the Presidency and the National Assembly on budget matters.

Reform of the Legal Framework

Thus, the budgetary system of Nigeria continued to be guided by these two foreign experts until it became clear that the government could no longer continue to implement its reforms on the budget process unless a new legal regime was instituted to permit for the revocation of existing laws which hampered the reform and to recognise the Due Process Office as part of the budget institutions in Nigeria. This was why in 2005; the government put forward to the National Assembly two legislations on the financial administration of Nigeria aimed at reforming the budget process. The two laws both of which however were not signed into law until after President Obasanjo had vacated office in May 2007 still came into force in that same year under President Umar Yar'Adua. The laws: Public Procurement Act, 2007, and the Fiscal Responsibility Act, 2007 from about mid-2007 forth began to define the legal framework for Nigeria's budgetary process.

The Public Procurement Act, 2007¹⁵ and the Fiscal Responsibility Act 2007¹⁶ were enacted by the National Assembly on the 3rd of April and the 31st of July 2007, respectively. Both laws, which are actually the most current legislative interventions in the budget making processes in Nigeria were as mentioned earlier conceived, drafted and laid before the National Assembly under President Olusegun Obasanjo's administration, but both Acts could not be signed into law until President Obasanjo's term in office expired. It will not be mere exaggeration to state that the two laws were earth-shaking in terms of their highly comprehensive and drastic provisions designed to curb wastes, fraud and lack of transparency in the budget processes of Nigeria.

The Public Procurement Act was conceived and designed for the very specific purposes of eliminating the practice whereby contractors fraudulently connived with public officials to steal public moneys via inflated contracts, deliberate non-performance of contract deals even when mobilisation funds

¹⁵ Federal Republic of Nigeria, *Public Procurement Act, 2007*, Act No. 14.

¹⁶ Federal Republic of Nigeria, *Fiscal Responsibility Act 2007*, Act No. 31.

were paid and, outright flouting of extant laws on fiscal discipline. The Act therefore seeks to prevent loss of assets to the government by ensuring that contract bids are competitive, transparent and done in such a way that the public will get value for money and fitness for purpose in all of government purchases and payments.

Hence, the Act establishes for those purposes two statutory bodies: (i) the National Council on Public Procurement and (ii) the Bureau of Public Procurement.¹⁷ The Council is charged with the duty and given the powers to: “consider, approve and amend the monetary and prior review thresholds for the application of the provision” of the Act, by considering and “approving policies on public procurement”.¹⁸ Such policies, the Act provides should be:

Based only on procurement plans supported by prior budgetary appropriations, and no procurement proceedings shall be formalised until the procurement entity has ensured that funds are available to meet the obligations and . . . has obtained a “certificate of ‘No objection’ to contract award.”¹⁹

Prior to the Act, many private and public bodies, knowledgeable in the science and politics of contract awards, such as the Nigerian Society of Engineers had complained bitterly of the pricing of contracts in Nigeria.²⁰ They expressed misgivings on the excessively high sums of money paid out to contractors for projects that could be done at a much lesser price to the public. The public procurement Act is therefore one of the responses to such a concern and the need to reduce the costs of doing government businesses, especially in the face of dwindling resources. The same Act establishes a Bureau to actually supervise, monitor, and publish details of contracts awarded to successful bidders and to see that such awards conformed with approved budgets. The Bureau of public procurement has therefore been set up for the specific purposes of: “Harmonisation of existing government policies and practices on public procurement and ensuring probity, accountability and transparency in the procurement process”.²¹

Yet, by far the most import provisions of the Act are those that make it a crime for failing to ensure transparency and accountability in the award of contracts in addition to those that criminalise the award of any contract in default of approved budget or without a “Certificate of No Objection”²² to

¹⁷ *Public Procurement Act, 2007*, Act No. 14.

¹⁸ *Ibidem*, section 2.

¹⁹ *Ibidem*, section 16(1)(b).

²⁰ See Gamaliel Onosode Committee “Report on the Review of Federal Government Capital Projects”, Mimeograph, 1983.

²¹ Federal Republic of Nigeria, *Public Procurement Act, 2007*, Section 4(a).

²² *Ibidem*, section 16(1) (a)(b).

Contract Award". The "Certificate of No Objection" is a document evidencing the fact that the contracting Ministry, Department or Agency (MDA) has satisfied the following three (3) conditions:

- (i) That the contract awarded conforms to the provision of the Appropriation Act for a current fiscal year.²³
- (ii) That the contract conforms with the general policies and guidelines relating to public sector procurement as approved by the Bureau of Public Procurement²⁴
- (iii) That the procurement entity which awarded the contract has taken steps to ensure that funds are available to meet the obligations of the contract.²⁵

If for any reasons any public officer contravened the provisions of the Act, appropriate sanctions contained in section 6 (1)(i-vi) of the Act, are provided to punish such an erring officer. The ultimate aim being to prevent any public officer colluding with contractors to defraud the public treasury. The same Act also itemises offences under the Act for those who are not public officers. It stipulates that the following shall constitute an offence under the Acts for those who are not public officers:

Entering or attempting to enter into a collusive agreement, whether enforceable or not, with suppliers, contractors or consultants where the prices quoted in their respective tenders, proposals or quotations are or would be higher than would have been the case had there not been collusion between the persons concerned.²⁶

The Act also makes it an offence to conduct or attempt to conduct procurement by means of fraudulent and corrupt acts, whether by the "means of unlawful influence, undue interest, favour, agreement, bribery or corruption".²⁷ The sanction for committing any of the offences aforesaid is rather stiff because the Act provides that:

Any natural person, not being a public officer who contravenes any provision of this Act commits an offence and is liable on conviction to a term of imprisonment not less than 5 calendar years but not exceeding 10 calendar years without an option of fine.²⁸

The second most current law for budgeting in Nigeria is the Fiscal Responsibility Act. The Act is a highly comprehensive law designed to cover the whole gamut of Nigeria's fiscal administration including budget monitoring,

²³ *Ibidem*, section 4(a-d).

²⁴ *Ibidem*, section 16(1)(b)

²⁵ *Ibidem*.

²⁶ *Ibidem*, section 58(4)(b).

²⁷ Public Procurement Act, 2007, section 58(1).

²⁸ *Ibidem*.

budget policing, reporting and auditing. Whereas the Public Procurement Act concerns itself almost entirely with government purchases, the Fiscal Responsibility Act transcends this to cover the whole gamut of government fiscal activities, including the formulation of fiscal policies for the administration of the economy. The Act also embodies highly detailed legal frameworks for revenue, expenditure and debt management. That way it seeks to give government a holistic legislation that could simultaneously contain the combination of the objectives and functions of the Audit Ordinance of 1956, the 1958 Finance (Control and Management) Act and the 1989 Public Accounts Committee Act, all in one single volume. The main thrusts of the law are fiscal efficiency and transparency. For example, with respect to revenue matters, the law provides that:

The executive arm of the Federal Government shall, at least 30 days before the deadline for the submission of its budget proposals, place at the disposal of the National Assembly, the revenue estimates for the following year, including the net current revenue and the respective memorandum items.²⁹

Again, the Act makes it imperative for the government not only to place before the National Assembly its revenue generation plans even before the expenditure estimates are embodied in an annual budget, but also imposes on the Accountant-General of the Federation, the duty of preparing “an annual cash plan”³⁰ which should set out, “projected monthly cash flows” for the expenditure of the capital budget. In addition, the Act makes it imperative for the Minister of Finance to “publish a disbursement schedule derived from the Annual Cash plan for the purpose of implementing the Appropriation Act”.³¹ With these provisions the Fiscal Responsibility Act holds itself out indeed, as an Act for policing the public treasury.

Expenditure activities of government have also been brought under strict legal regulations by the Act. Government can no longer increase expenditure at will as it used to do before the law under extra-budgetary or supplementary budgets. If there should be any increase at all, such an increase must be for the purposes of “creation, expansion or improvement on government action”³² and not at the whims of the executive arm of government. Thus, the Act clearly forbids any virement not approved by warrant. However, increases must be accompanied by an executive statement showing “the budgetary or financial impact it will have on the year it becomes effective and the two subsequent years”. Besides, a statement by the person requesting for the increase in expenditure, must be forwarded to the Fiscal Responsibility Commission to accompany the increased budget. Such a

²⁹ Fiscal Responsibility Act, 2007. Act No. 31, section 33.

³⁰ Fiscal Responsibility Act, 2007, section 25.

³¹ *Ibidem*, section 26.

³² *Ibidem*, section 36(1).

statement must state that the increase is consistent with extant Appropriation Act and the Medium Term Expenditure Framework” of government.³³

With respect to public debt and borrowings, the Act mandates that government should only borrow for “Capital expenditure and human development” with a “reasonable long amortisation” period.³⁴ Thus, Act creates a legal framework to regulate both domestic and external borrowings. It outlaws specifically, borrowing to pay for consumption or to pay wages and salaries. Such expenditure was expected to be provided for only in the normal annual Appropriation Act under personnel and overhead costs. In addition, the Act makes it compulsory for the Federal Government to ensure that “the level of public debt as a proportion of national income is held at a sustainable level and as prescribed by the National Assembly”.³⁵ But by far the most significant supervisory authority for ensuring prudence in the use of public resources which the Act grants to a public officer or public institution is that granted the Minister of Finance and the Budget Office of the Federation. The Act confers full responsibility for budget monitoring, reporting and implementation first, on the Budget Office of the Federation and second, on the Minister of Finance. It thus stipulates that:

“The Minister of Finance, through the Budget Office of the Federation, shall monitor and evaluate the implementation, of the Annual Budget, access the attainment of fiscal targets and report thereon on a quarterly basis to the Fiscal Responsibility Commission and the Joint Finance Committee of the National Assembly”.³⁶

And, in a way designed to prevent any suppression of information on the findings of the Minister and the Budget Office on the state of health of the budget and the economy, the Act compels the former to publish the findings and report of budget monitoring and implementation it makes. It stipulates:

“The Minister of Finance shall cause the report prepared pursuant to subsection (i) of this section to be published in the mass and electronic media and on the Ministry of Finance Website, not later than 30 days after the end of each quarter”.³⁷

Reforms under Presidents Jonathan and Buhari, 2010-2016

President Goodluck Jonathan was in the saddle from May 2010 to May 2015. His administration came at the time the Federal Government needed to

³³ *Ibidem*, section 36(1)(a & b).

³⁴ *Ibidem*, section 41(1) (a).

³⁵ *Ibidem*, section 41(1)(a).

³⁶ *Ibidem*, section 30(1)(b).

³⁷ *Ibidem*, section 30(2).

show that it was serious about the implementation of the IPPIS and GIFMIS. The government demonstrated this by ensuring that by December 2010, the Federal Executive Council approved the service-wide implementation of IPPIS for the emolument of not less than 1.2 million public servants in 475 MDAs. In fact, by December 2011 when the Second Phase of the implementation of the IPPIS commenced, only very few public servants in Nigeria were yet to be migrated on the IPPIS platform. The IPPIS was so effective that by 31 December 2014, some N208 billion had been saved by the government from the elimination of ghost workers and significant improvement in the payroll system, thus relieving the recurrent budget of a significant level of burden.

However, the more profound reform initiative done by the President Jonathan's government was the introduction of the Treasury Single Account (TSA) in 2012 with a pilot scheme involving 217 MDAs. This was a public accounting system the objective of which was to bring into one single consolidated account with the Central Bank of Nigeria (CBN) all revenues of the Federation of Nigeria from all sources of public income howsoever described. Prior to that time Nigeria's MDAs maintained more than 10,000 different revenue accounts in diverse deposit and money banks all over Nigeria. Many of these MDAs either understated these revenues or failed to remit them to treasury either wholly or at all.

In fact, the usual but illegal practices was that a significant chunk of them who collect huge revenues such as the Nigerian National Petroleum Corporation (NNPC), Nigerian Customs Service (NCS), Nigerian Immigration Service (NIS), Federal Inland Revenue Service (FIRS) and the National Communication Commission (NCC) actually detain huge portions of their revenues in their respective bank accounts which they usually place on fixed deposit for a return far below the market rate. This was made possible when the heads of the MDAs and parastatals corruptly negotiated these interest rates for fraudulent gratification paid to them by the banks. The result of this was that actual cash balances of these MDAS are not by government and when money was needed even by them to do any public works of in pursuit of their budgetary expenditure; they approached the same banks for loans at a rate far higher than the fixed deposits they had negotiated for their deposits. That way avoidable huge borrowing cost occasioning losses to public treasury were brought upon government finances.

The TSA was designed to put a stop to this and to introduce some sanity into the system through ensuring that multiple revenue accounts were discontinued. The government had, early in 2012, signed a contract with an ICT company, Systemspecs Limited, which developed an ICT product called *Remita* to help collect and transfer into a single account domiciled at the CBN all revenues of the Federation either collected by a Money and Deposit Bank

(MDB) or by any agency of government.³⁸ Prior to this reform, huge sums of money which were collected by different revenue generating agencies of government leaked out in frivolous and unapproved expenditure. Apart from the fact such expenditure were not contained in the annual budget of government, they were clearly at variance with the extant laws on collection and remittance of government revenues to treasury.

Many advantages were associated with the TSA which made government to adopt it in 2012 apart from the fact that it in fact part of the public sector financial reforms programme which had received the approval of the World Bank in 2004 as a way courting for Nigeria a favourable debt relief programme from the bank and other Western financial Organisations. Hence the government adopted the TSA for several reasons the most important of which were: (i) curtail the spending by MDAs of moneys which they generated outside of approved budget (ii) check corruption in public finance (iii) instil budget discipline by preventing the funding of any project that has not been expressly included and approved in the budget by the federal government (iv) arrest deliberate understatement of revenue generation by MDAS during budget preparation (v) prevent illegal virement of expenditure and (vi) ensure a proper management of cash so that unproductive borrowing is not embarked upon by any agency of government in order to fill any gaps that might exist in government funding of the budget. Unfortunately however, the government of President Jonathan failed to demonstrate enough political will in implementing this policy reform and as such a negligible number of government agency actually followed the directive on the TSA until the government was defeated in a general election in March of 2015.

President Muhammadu Buhari took over from President Jonathan in May of 2015 and by August of 2015, barely three months after the took over the reins of power, directed that the earlier directive of government which was given in 2012 be complied with immediately. What was lacking in the political will to enforce the TSA reform policy was supplied by President Buhari who put the supervision of compliance to his directive in the office of the Accountant-General of the Federation through the Federal Ministry of Finance. These two institutions were to enforce the directive in collaboration with CBN and the Economic and Financial Crimes Commission (EFCC). From the time of the enforcement of the directive in August 2015 up to May 2016, government was able to bring into public treasury more than N2 trillion of public funds from the DMB into the treasury; an amount that would have left

³⁸ Systemspecs, a finance and tax consulting firm, by the terms of the contract signed in 2012 with the President Jonathan's government was allowed to collect 1% of all revenues which the firm helped or facilitated to be paid indirectly or which it directly paid to government treasury at the CBN. See "Sahara Reporters" (New York), Thursday, 12 November, 2015.

outside of the budget had the enforcement not been carried out with great fervour.³⁹

Finally, as a result of the huge burden which the recurrent budget had consistently brought upon treasury and having been seised of the apparent debility which that portended for government capacity to finance capital budget, the federal government came up with another reform policy aimed at blocking wastes and leakages in the use of public funds. This reform task was vested in a new office created by the Minister of Finance, Mrs. Kemi Adeosun, in February 2016, called the “Efficiency Unit” in the Ministry of Finance. The Unit had the responsibility to monitor government recurrent expenditure and to see whether any leakage could be detected in the personnel payroll system. The Efficiency Unit was also charged with the responsibility of oversight on the enforcement of the IPPIS reform by detecting identifying and apprehending “ghost workers” and blocking any avenues of repetitive expenditure and fraud. This unit was also complimented by a new unit in the Ministry of finance called the Cash Management Committee (CMC), which was to monitor accruals into the TSA and report regularly on cash balances in it for the purposes of statistics and timeous provision of funds for Federation expenses.

Impact and outcomes of the Reforms

The combination of all the reform policies discussed above produced in the public sector of Nigeria had very profound effects and impact on the country’s fiscal system. The first was that for the first time in Nigeria almost six decades of post-independence history, the Ministry of Finance was able to say of a surety that it had the biometric data of at least 90% of all federal government workers having applied the IPPIS to 345 out of 394 MDAs.⁴⁰ The Ministry was able to discover the near exact amount of money it spends on salaries and overhead cost every month and by the deployment of the new Bank Verification Numbers (BVN) of all government employees was able to discover from 2012 up to May 2016 a total of 120,395 ghost workers to whom the sum of N320 billion had been paid during the same period.⁴¹

Again, through the application of the IPPIS and GIFMIS government was able to detect and recover the sum of N2.1 trillion from diverse MDAs’ accounts; an amount that would have escaped budgetary scrutiny and been committed to extra-budgetary expenditure or lost outright to fraudulent

³⁹ See Uche Usim, *FG nets ₦3 trillion from TSA*, “The Sun”, (Lagos), Tuesday, 9 January, 2018, p. 1. See also, Abiodun Martins, *TSA: Changing the Chess Game*, “The Guardian”, (Lagos), 10 November, 2016, p. 16.

⁴⁰ See, <https://www.ippis.gov.ng>. Also, Olufemi Olusegun (Director IPPIS), *Ghost Workers: GF saves over N206 billion in two years*, „The Punch”, January 29, 2019.

⁴¹ Bassey Udo, *Analysis: How Nigeria’s Finance ministry has fared in three years under Adeosun*, Ahmed, „Premium Times”, (Lagos), Monday, 15 April, 2019, p. 1, 4-6.

claims.⁴² This had the positive though unplanned outcome of making the banking sector to sit up to do their traditional banking more properly by investing in the productive sector of the economy if they must survive rather depend on easy money that came from the lodgements of the MDAs and the ridiculously low interest rates they paid on those lodgements which were in turn re-lent to government at much greater rates. The mop-p of government monies from the banks also helped the cash flow management of the government and reduced the incidence of fraud and needless borrowings to undertake government projects.

Conclusions

No nation has achieved greatness without passing through very tortious and often times unpopular but self-redeeming paths. The Nigerian state from year 2000 up to the present has embarked on modernising and reforming its budget process, a move that has been very unpopular especially with civil servants and even University lecturers who fear it might lead to their loss of influence and the drying up of easy access to cheap funds. But the insistence of the government on pursuing this accountability path since 2000 has earned the country significant progress in the areas of reduction in the incidence of leakage in revenues through payment of salaries and allowances to non-existent civil servants (ghost workers) and the funding of bogus expenditure items by Ministries Departments and Agencies. It therefore behooves the government to continue to reform and modernise its finances and indeed the budget process otherwise, it might be unable to meet current and future needs for a sustainable development in the country.

⁴² See, <https://www.ippis.gov.ng>. Accessed 10 October, 2017.