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Review

Public expenditure management reforms and national development: A critical evaluation of Obasanjo's administration, 1999-2007

Eze, Malachy Chukwuemeka[1] and Nnedum, Obiajulu Anthony Ugochukwu[2]*

[1]Department of Political Science, Nnamdi Azikiwe University, Awka, Anambra State, Nigeria.
[2]Department of Psychology, Nnamdi Azikiwe University, Awka, Anambra State, Nigeria.

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The article examines Obasanjo's public expenditure management reforms in Nigeria from 1999 to 2007. Anecdotal evidence indicated that public expenditure management (PEM) projects of the various regimes in Nigeria had been at best non-facilitator in fostering Nigeria's Development. However, an evaluation of PEM during Obasanjo's regime from 1999 to 2007, offers a heuristic insight into the political doldrums that not only undermine Nigeria's development initia but also deconstruct Nigeria's economic and political quantum. The implications of the study were explored in relation to due process in PEM and forensic accounting management in a third world country, Nigeria.

Key words: Budgeting, public expenditure management, reforms, development.

INTRODUCTION

Budget is a financial plan embodying an estimate of proposals, which include expenditure and the proposed means of financing them, for a given period. It is a short-term financial plan, a political document couched in fingers, a management tool used for both planning and control, a device for ensuring a continuous monitoring procedure, reviewing and evaluating performance with reference to previously established standards, as an overall method of improving operations (Ademolekun, 1983). It is therefore, a national instrument for periodic (normally one year) implementation and evaluation of national development plans. Consequently, it is a flexible instrument amenable to reforms in the face of its inability to actualize the fundamental goals of any development plan. This has been the case across continents and countries of the world.

The increasing amount of public revenue and proposed expenditure, shrinking state provision of social amenities, spiral inflation, geometric rise in graduate unemployment, and gross fiscal deficits among other factors, being experienced particularly across the states of the 'South' necessitated several reform processes. Traditionally, the role of the public expenditure management, that is, budgeting, was purely to provide the mechanisms for financial control. This, which focuses on resources allocation and input control, to the total neglect of the implementation processes, failed to provide satisfactory aggregate fiscal outcome in support of macroeconomic stability and development. Thus, a budgetary practice that aligns the incentives with policy objectives to forge a link between allocation of resources and performance in reaching stated objectives was introduced (OECD, 1995; Davies et al., 1997). This in itself has equally been reformed to enable the budgeting system serve its role of stimulating economic growth policies and development. The mechanism is its patterned allocation of resource towards polices and programmes that enhance private sectors investment, and guide public sector's infra-structural development.

The inability of the budgetary instrument in Nigeria's

*Corresponding author. E-mail:nneduma@yahoo.com. Tel: +2348033146636.

social-economic history to translate into politically desired and expected goals or at least to attain the primary goals of its development plan, led to various PEM reforms. Up to 2003, as noted by Obasanjo in 2003, budgeting in Nigeria has been undisciplined and uncoordinated. It lacks rigour at bureaucratic level, lacks clear vision and functional cooperation at the political level, with very little involvement of the civil society except for consultation with the organized private sector in the entire planning process, and suffers from ill-equipped and inefficient bureaucracy (Ukwu et al., 2003). Consequently, it has not aided macro-economic stability and development. With the persisting negative growth rate, the Obasanjo regime in 2003, initiated further public expenditure management framework under a new development plan captioned National Economic Empowerment and Development Strategy (NEEDS). The new budget system under NEEDS is a performance oriented PEM aimed at the closure of supply and efficiency gap in the Nigerian economy. According to UNCTAD (2004), the new PEM practice emphasis diversification of the economy and private sector led economic growth, poverty reduction, increased integration into regional and global economy, and highlights the asymmetry of the economic activities and their contribution to GDP growth. It is the focus of this paper to critically evaluate this budget reforms in the light of the previous practices and its contributions/ prospect for Nigeria's development.

This study is necessitated by the fact that over the years, the Federal Government has voted large sum of money for economic and social development; yet the result on ground has been extremely disappointing. The country has continued to grow in the tides of under-development. Public expenditure has failed to translate into politically desired and expected goals. Even with the introduction of Obasanjo's due process PEM, high leakages in the financial activities of the state abound. The country's projected revenue has been overshoot by more than 100% due to increase in global oil price, yet the state records serious fiscal deficit each year. High incidence of extra-budgetary expenditure abounds, break-down medium to long term budgetary plans, projects are implemented haphazardly, without proper evaluation and coordination, and allocations to projects had become arbitrary and ineffective, all with no positive impact on national development. In the light of these and the pervasive campaign/praises for Obasanjo's PEM reforms since 2003, this evaluation is both topical and relevant.

Literature review

A significant development in the intellectual history of the 20th Century has been the explicit recognition of the importance of government in the operation of the economy. Government's role generally is performed through the public expenditure management system. It is a netwo rk of forecast of government revenues and expenditures for the ensuring fiscal year; and it reflects the policy of government towards the economy (Thornhill, 1984). Thus, Musgrave (1959) perceived budgets as political and economic documents and the product of the political processes by which competing interests in any nation achieve agreement. It is therefore, an instrument for the exercise of government's allocative, distributive and stabilization functions (Wildavsky and Naomi, 1997).

Consequently, budget is a political document through which money appropriated according to value judgment, while the budge process is a political process that takes place within a political arena (Gildenhugs, 1997). For Adamolekun (1983), the budget is a short term financial plan, a political document couched in figures, a management tool used for planning and control, a devise for monitoring and evaluation of government operations. Therefore, PEM system is the process through which government or the political system evolve an instrument (budget) that is couched in figures for the pursuance, monitoring and evaluation of its goals. Jaga (2000) synthesized and categorized the various perspectives to understanding the concept of budgeting in the literatures into three schools. These include: firstly, the concrete school; which perceives budgeting as a systemic device and a game that posses peculiar technique, that impact on it's environ and in consequence get impacted upon.

According to the protagonists of this school, such as Welsch et al. (1988) and Wanat (1978), it is a systemic instrument used by political office holders, which though obeying professional rules or certain principles, in pursuance of public goals/ development policies. Central to the opinions of this school is the fact that, budget changes the environment, and in the dynamics of this change has itself amended, changed or reformed. The second school called concrete school views budgeting as a one year periodical instru-ment of managerial control of finance (Hicks and Gullett, 1981). The restrictive nature of the view of this school that is, budget as an instrument of financial control only, is its major weakness. The third school known as the combined perspective school views budget as an instrument of and/or part of the financial management cycle with a cycle of its own. Oshisami (1994) observed that budget in this senses is a tool for braking national development plans into phases normally lasting for a year, for purposes of gradual implementation, monitoring and evaluation of the development plan.

From the literature therefore, whether viewed as a political and economic/financial or only as a financial instruments, budget is a tool employed to forecast and guide the economic, social, political and other activities of the state in a certain direction in order to realize predetermined goals and objectives. Thus, Odd-Helge et al. (2004) argued that in public administration, the budget serves as a decision-making instrument by which priorities are set, goals and objectives are established, operarating programmes are compiled and control exercised Consequently, Dobell and Ulrich (2002) noted that budgeting entails policy and management analyses needed to make decisions and actions related to implementing them, it involves adjustment of mandates, objectives, resources and practices put in place to ensure the realization of plans and tracking of performances. It equally entails the processes of parliamentary approval, reporting, performances and accountability. Toure (2001) outlined its basic elements as follows:

1. It provides overall vision of state policy.
2. It provides coherence among the various sectors of activities.
3. Thoroughness based on the evaluation of needs.
4. Transparency in all the budgeted items.
5. It needs to be cautious and realistic given that demand always exceed resources.
6. Classification of investment expenses (spread over the years) and current expenditure (spread over one fiscal year).

It is evident in the literature that the nature of budgeting is determined by the roles it performs. As noted by Schick (1966), Wildavsky (2001), and McNab and Melese (2003), a typical budget performs three different functions, namely: planning function, management, and control function. These functions roughly correspond to the four stages of the budget cycle: executive preparation and legislative review (planning), execution (management), and audit (control) (McCappery, 1999). Bruce (2001) observed that the planning function of public budgeting emphasizes the allocation of resources among competing public programmes in an efficient manner.

This role is characteristically political and always resides at the highest levels of government. On the other hand, the management function according to Schick (2001) and World Bank (1998) revolves around the inter-programme allocation of resources, supervision to ensure and enhance allocation efficiency and technical efficiency. Both correctly argued that budgeting is an inherently allocation process. The control or audit function focuses on the mechanisms by which government is held accountable to the tax payer. It revolves around the legal procedures, administrative and other restrictions on the expenditure of public resources that enhance transparency, accountability, fairness and objectivity. In Nigeria and modern parlance, it is simply called the Due Process. It is designed to allocate and track expenditures on inputs, to ensure fiscal accounttability and to minimize the misappropriation of public funds (Gianakis, 1996; Premchand, 1983). This role relies on statutory requirements, administrative procedures, and institutional structures to minimize diversion or misuse of public funds.

Ironically, whereas budget's control function is primarily to ensure accountability to taxpayers, this role may be subverted by the focus on the expenditure of current resources and the maintenance of the current level of appropriations. In this case, the incentive structure of the control system is largely and always negative in orientation. The non-use or misuse of public resources results in the imposition of institutional (that is, lowered appropriation in succeeding fiscal year) and individual retribution (that is, demotion, reassignment, or in the worst cases, incarceration) penalties. These perverse or negative incentives have equally manifested in such policy as "use it or lose it" phenomenon now pervasive in government circles (Niskanen, 1975, 1994). In addition, the legislature finds it difficult or hesitates to provide supplementary appropriations except in cases of significant national interest such as natural disasters, acts of war or other emergencies. Equally, operating funds not spent or obligated by the end of the year typically cannot be transferred to the next fiscal year. They are either spent or lost (Premcand, 1983).

Thus, as observed by Wall (2001), public sector managers do rationally respond to these negative incentives by ensuring that their appropriations are exhausted by the end of the current fiscal year and engage in defensive actions to preserve their current budgetary allocations. In all these, financial leakages become pervasive in the system with the consequent distortion and misappropriation of development funds. It has equally led to the defeat of efficiency in the implementation and management of government development plans.

Consequently, Melese (1997) argued that this observed negative incentives structures and their consequences have necessitated budgetary reforms in many countries. Such a reform shifts focus from resource allocation to result (or output) generation (Brown et el., 1999; Mullins and Zorn, 1999; William and Melhuish, 1999). The specific features of this new budgetary reforms rest on goal congruence (that departments or ministries with multiple principals can develop relevant and useful strategic plans), measurement (that goals can be qualified so that success in achieving the goals or outcomes can be checked in performance reports), and incentives (that controlling budget systems can be re-designed to tie budgets to outcomes and sufficient motivation exists for organization to effectively allocate resources and administer programmes) (Joyce, 1993a, 1999). For Rose (2004), such reforms link policy programmes with policy outputs, and introduce a new control and accountability arrangements that elicit new set of skills and positive impact on national development.

However, as Diamond (2001) observed, it is not too difficult to design budget reform measures, and specify detailed implementation plans. Neither is it hard to convince the top-management/decision makers that the budgetary system needs to be reformed. In addition, designing the organizational and procedural changes required is not equally difficult. For details of these reforms, their phases and particular features, see Diamond (2001), MeNab and Melese (2003), Rose (2004), Fozzard and Mick (2001) and OECD (2004). The real constraint to budgetary reforms is the human factor in institutional change. Enough attention has not been paid to this agent of change.

Existing literature has only dwelt on the nature, features, characteristics and weaknesses of PEM and Nigeria's Public Expenditure Management System and the reform that ensued. Adebayo (1969) explored Nigeria's Public Expenditure Management between 1946 and 1966. He identified the four stages of its evolution as 1946 to 1952 (an era of three regions with two sources of revenue, namely: regional taxes and federal block grant, with expenditure guided purely by the derivation principle), 1952 to 1954 (an era when regions were given independent tax jurisdiction, with the statutory share of federal revenue, whereas need, national interest and revenue derivation principle were the primary indices for sharing or expending the revenue). The third phase was the 1954 to 1959, when the North and West aligned to re-introduce revenue derivation principle as the only expenditure determinant. The final phase, 1959 to 1966, was necessitated by the discovery of oil in the East and the consequent abrogation of derivation as the only determinant factor. The phase was characterized by absence of fiscal adjustment process, lack of effective coordination of producer price policy in the regions and their harmonization with the national monetary and fiscal polices.

Adebayo therefore, observed that the Nigerian fiscal system evolved and operated on principles that negated the main features of public expenditure management, which include among others allocation, efficiency and equity guided by the principles of needs, equity, stability and national interest (Ademolekun, 1983). This has hampered the development of effective, development-oriented fiscal system. Rather, it has been an instrument of national conflict. Ademolekun (1983) on his part noted that Nigeria's PEM reform since 1960 has passed through the following stages:

1. In 1960 to 1979 the minister of finance was the leader of the budgetary process, and chairman of the treasury board.
2. Between 1979 to 2005, the president became the leader of the budgetary process, and chairman of the treasury board. The office of director of budget was equally established as expert responsible for budgetary process.
3. Jaja (2000) in his evolutionary study of Nigeria's PEM, 1900 to 1950, identified a change or shift from colonially controlled and dictated fiscal management system to a centralized system of budgeting and subsequent decentralization. Jaja identified 1900 to 1906 as a period of classical budgetary practices, when PEM revolved around development plan, short term financing policies, objectives and strategies for the several units later became Nigeria. The period 1907 to 1950 experienced a change to a central budgetary control through the establishment of a small central development board. However, in 1954/55, decentralized PEM aimed at solving the problems of the regions were introduced. He identified inflexibility, improper coordination of budgetary process and proliferation of offices responsible for budgeting, non-professionalisation of the system and government disregard for fiscal regulations, as the problem confronting PEM then (Jaja, 2000).

Generally, Ukwu et al. (2003) summarized the weaknesses of PEM in Nigeria as:

1. Lack of rigour at the bureaucratic level.
2. Lack of clear vision and functional cooperation at the political levels.
3. Very little involvement of the civil society, except for formalistic consultation of or with the organized private sector, in the entire planning process.
4. Ill- equipped and inefficient bureaucratic.

Forzzard and Mick (2001) equally argued that, the budget systems were designed to support systems of accountability based on administrative structures: funds are allocated to ministries who, in turn, allocated funds to subordinate institutions and departments. This provides little information on the spending, particularly where allocations are consolidated and controlled at ministry level, or several agencies are involved in the delivery of a particular service. This structure tends to obscure analysis of the economic impact of expenditures, particularly as regards recurrent and capital expenditures and transfers.

In its contribution, DAI (2005) noted that Nigeria's PEM is structured after oil income such that in periods of boom, expenditure is ratcheted up while periods of lower oil prices becomes one of crisis. Other problems of PEM in Nigeria include inefficiency in resource use, waste and misplaced priorities in government expenditure, high fiscal deficits at all tiers of government, weak institutional structure, a fiscal federal structure that places little or no premium on inter-temporal fiscal solvency, and poor institutional mechanism for regulating actions of the different tiers of government and their agencies. These have led to high debt burden, huge recurrent expenditure burdens, inefficient delivery of services and distortion in the incentive structure for both the private and public sectors. Apparent lack of political will and commitment to abide by stipulated rules and budget guidelines, inability to develop a macro-economic framework for budget formulation, role ambiguities among various government agencies concerned with PEM, lack of coordination between the office of the Accountant General of the Federation (AGF) and the Central Bank of Nigeria (CBN), slow budget process fraught with errors, among other things, reigned (Akinyele, 1981; Ukwu et al., 2003). UNCTAD (2004) on its part noted that, Nigeria has pursued a long term expenditure management framework. Gowon and Obasanjo regimes pursued nine years development plan, Babangida embarked on ten years SAP programme while Abacha a fifteen years vision 2010 programme.

Against this background, the President Olusegun

Obasanjo led government embarked on Public Expenditure Management reforms in 2003. UNCTAD (2004) noted that this new PEM pursued medium term expenditure management framework that emphasized diversification of the economy, private led economic growth, performance budgeting, and highlights the asymmetry of the economic activities and the contribution to GDP and the closure of supply and efficient gap in the economy. Due process came to characterizes or be the guiding philosophy of the new reforms. As Obasanjo (2003) noted, this is a departure from the past PEM practices and underpins the priority efforts of the government to enthrone transparency, accountability, efficiency and effectiveness in both public financial management and resources and governance. According to G8 information centre (2004), this reform focused on budget and fiscal transparency, public procurement legislation, policy and administration. The budgetary process was reformed, procedure for the award of contracts redesigned with emphasis on openness, competition and value for money under the transitional ‘Due Process’ Regime/mechanism. The BMPIU (2005) defined ‘Due Process’ as a mechanism for ensuring strict compliance with the openness, competition and cost accuracy rules and procedures that should guide contract award within the Federal Government of Nigeria.

In conclusion, the literature has so far explored the nature of budgeting, its reforms, and constraints, which hinders not only the reform process itself but the contributions of such reforms to development. The inability of budgetary reforms (Due Process inclusive) to solve the PEM problems in Nigeria necessitated the interest to evaluate the Obasanjo reform process and investigate both the place and role of incentive structure in its PEM.

Theoretical tool

In the literature, there is no single approach to explaining or theorizing budgetary behaviours (Hogye, 2005). The nature of budget as an outcome of political struggle has been blamed for this (Wildavsky et al., 1997; Ukwu et al., 2003). However, two broad theoretical influences exist. These are the process theories, which relate to the role of the budget cycle, and institution theories, ones that relate to the role of institutions (Wanna et al., 2000).

The focus of the first group of the theories is executive request and powers; legislative action, the budget evolutionary relations between the various budget units. Thus, it is inconsistent with this paper. Consequently, the paper adopts the second group of theories known as institution theory as its framework of analysis. Central to the principles of this theory are its stress on the role of rules, incentives, cultural understandings and power in budgetary processes and outcomes (Sharp and Connolly, 2004). The appropriateness of this theory lies in three variables; rules, incentives and power.

The theory shall enable this paper to study the functional phases of budget cycle in Nigeria, which includes: formation, enactment, execution/ implementation, monitoring, audit/evaluation; and the rules guiding them. It shall enable the study to assess whether compliance to rules exist as demanded by the ‘Due Process’. Through this, the paper shall be in a position to assess whether any difference exist in the budgetary discipline exhibited by Obasanjo’s government and his predecessors. It shall equally enable the paper to evaluate the existing incentives in the fiscal system, in the light of the fiscal reforms. Above all, the paper shall determine whether the reforms are new and extensively evaluate their potency for national development. Thus, the study will consider the institutional theory very appropriate for the study.

Public expenditure management: The Nigeria experience

It is evident from the literature that Nigeria’s PEM system under Obasanjo’s administration was founded on the same philosophy and principles that guided that of his predecessors (Akpobash, 2004; Ademolekun, 1983; Apampa and Tunde, 2005; Akinyele, 1981). They all pursue economic growth as expressed in GDP. Ademolekun (1983) also contended that procedurally, the process of information/data gathering, decision making and its nature remain the same both during the military and civilian regimes, only that things were treated with military dispatch under the military. Oshiami and Dean (1985) on their part observed that, in all the regimes, consolidated fund/revenue is only spent when approved through an appropriation act as stipulated by the 1979 constitution (section 74(2).

For Adebayo (1969) and Ademolekun (1983), the Nigeria’s PEM system evolved and operated on principles that disregarded the main objectives of public financial management. Theses include allocations based on the principles of need, equity, stability and national interest. On the contrary, the entire PEM system that Nigeria has practiced, are generally guided by revenue derivation principle. The Obasanjo’s ‘Due Process PEM’ has been guided by and has continued to battle with the crises of fiscal federalism structured by the derivation principle. The entire PEM equally lack inbuilt adjustment process. From the perspectives of the structure of Nigeria’s fiscal operations, the study presents a statistical representation of its practices for the period 1993 to 2004 (Table 1). A critical review of Table 1 reveals that, the structure of Nigeria revenue remains petro-dollar dependent. This is a phenomenon that has ravaged its politics and development. The percentage of oil revenue remains between 72.19 and 80.7. The ‘Due Process’ PEM, like its predecessors remained indifferent to the diversification of the economy. Instead, the percentage of non-oil revenue

Table 1. The structure of Nigeria's fiscal operation, 1994 - 2004 (N million, 1993-1999, N Billion, 2000-2004).

S/N	Budget items	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	1993-1997	1998-1999	2000-2004
1	Federal revenue	192.769.04	201.910.8	459.987.3	520.190.0	582.811.1	463.608.8	949.187.9	1.906.2	2.231.6	1.7318	2.575.1	3.901.4			
2	Oil revenue	162,102.4	160,192.4	324,547.6	369.190.0	416.811.1	324,422.5	724.422.5	1.591.7	1.707.5	1.230.8	2.074.3	3.3548	73.19%	73.2%	80.7%
3	Non-oil revenue	30,667.0	41,718.4	135,439.7	151,000.0	166.000.0	139,297.6	224,765.4	314.5	524.1	501.0	500.8	546.6	26.8%	26.8%	19.3%
4	Federation account	131.195.9	115.698.2	170.522.9	179,000.0	208,000.0	404,688.5	576,801.4	1.262.5	1.599.4	1.899.5	2.011.6	2.638.3			
5	FGRR	83.495.6	90.622.6	249.768.1	325,144.0	351,262.3	353,724.1	662,585.3	597.3	797.0	716.8	1.023.2	1.234.6			
6	Total expense	191,228.9	160,893.2	248.768.2	288.094.6	356,262.3	487,133.4	947,690.0	701.1	1,018.0	1,018.2	1.226.0	1,377.3			
7	REBE	136,727.1	89,974.9	127,629.8	129,416.3	146,421.0	189,401.3	457,232.7	461.6	579.3	696.8	984.3	1.062.7	50.6%	45.1%	70.9%
8	FIP	10.902.3	20.922.0	17.252.4	19.816.9	13,439.8	11,704.0	48.398.1	0.0	0.0	33.3	193.6	193.7	6.6%	4.2%	7.9%
9	DIP	37.810.3	28.478.7	33.806.0	23,147.4	32,000.0	41,884.8	79,571.0	108.5	155.4	170.6	172.9	203.6	12.5%	8.5%	15.2%
10	Others(non- dept)	88,014.5	40.574.2	76.571.4	86,452.0	100,981.2	n.a.	n.a	0.0	19.6	14.6	4.9	0.0	3.2%	n.a	0.07%
11	CENL	54,501.8	70,918.3	121,138.3	158,678.3	209,841.3	309.015.6	498,027.6	239.5	438.7	321.7	241.7	314.6			
12	CRD	25.,461.1	19,635.0	18.398.0	21,468.3	19,484.3	16,291.0	110,204.0	0.0	0.0	70..3	0.0	0.0	8..3%	15.7%	4.5%
13	CRP	230.0	381.7	180.0	210.0	120.0	160.0	240.0	0.3	0.03	0.0	0.0	0.0	0.09%	0.04	0.04%
14	others(non-debt)	28,810.7	50,901.6	102,559.7	137.000.0	190,237.0	n.a.	n.a.	0.3	0.8	11.0	0.0	0.0	40.6%	n.a.	0.8%
15	BACS	-10,655.9	647.7	122.138.3	195.727.7	204.841.3	175.626.3	212,922.9	135.7	217.6	20.0	39.0	171.8			
16	ODS	-107,735.5	70.270.6	1000.0	37.0049.4	-5.000.0	-133,389.3	285,104.7	-103.8	-221.0	-301.4	-202.7	-142.0			
17	Financing	107,735.5	70,270.6	-1000.0	-37,049.4	5.000.0	133,389.3	285.104.7	108.8	221.0	301.4	202.7	142.0			
18	Foreign fin. (net)	16.693.5	8.390.8	22.455.4	7,825.5	-1,427.8	16,605.6	21,040.8	n.a.	n.a.	0.0	0.0	0.0	37.2%	9.0%	n.a.
19	Domestic fin. (net)	91,136.0	60.247.6	7.102.2	-143,189.5	-28,737.5	116.783.7	264,063.9	103.4	118.7	149.0	163.7	40.6	-9.3%	9.0%	n.a.
20	Other funds	364.2	-1,632.2	30,557.8	-98,314.7	-35,165.3	12,898.0	109,986.5	0.3	0.0	99.6	39.0	101.4	71.9%	29.4%	

Notes: FGRR = Federal Government Retained Revenue; CRP = Capital Repayment: Domestic; ODS = Overall Deficit (-) Surplus (+); BACS = Balance of Account Current Surplus (+) Deficit(-); CENL = Capital Expenditure and Net lending; DIP = Domestic Interest Payment; REBE = Recurrent + Extra Budgetary Expenditure; CRD = Capital Repayment: Domestic; FIP = Foreign Interest Payment. Sources: a) World Bank Development Report, 1993-2005; Federal Office of Statistics, Lagos, 1993-2004; Central Bank of Nigeria Annual Report, 1993-2004.

decreased from 26.8% during the Abacha and Abdul Salami Abubakar eras (that is, 1993 to 1997) to 19.3% within the reformation period.

Secondly, the culture of military extravagancy and misappropriation seems to have been consolidated by the reform with a jumbo increase of recurrent expenditure allocations from 45.1% of the total expenditure between 1993 and 1998 to 70.9% during the reform period. Recurrent expenditures are meant to service and or safeguard the status quo. Similarly, the entire PEM systems are pro-exploiters. Precisely and like its predecessors, the 'Due Process' PEM, instead of repaying outstanding debts to avert the ever increasing interest rates, concentrated on paying the interests alone. It increased the rate of interest payments from an average of 4.2 to 7.9% (foreign payments) and 8.5 to 15.2% (local payments). This represents 98.9% increase.

However, Nigeria's creditors appreciation of this Jumbo increase, led to the conditional forgiveness of 60% of its debts amounting to over $30 billion. It is important to note also that the reform has maintained the deficit balance of account tradition, which it inherited from the predecessors. Serial number 16 in the above table affirms this point. A study of the sectoral allocation formula and or structure of the entire fiscal practice in Nigeria from 1993 to 2004 reveals equally another big similarity. The findings are presented in Table 2. Considering the high level of underdevelopment in Nigeria, it was expected that budget reforms would have improved allocations to certain sectors necessary for development. Instead, it has been an experience in consolidating the past and in depreciation.

Nigeria's PEM procedure

Procedurally, the PEM reform process is expected to change or correct budgetary indiscipline as found in the preceding systems. Absolutely, no difference has been seen or affected. The entire abuse of procedures, office and bureaucratic

Table 2. Sectoral allocation to some factors of national development in Nigeria's fiscal system, 1993-2004 (N Millions).

S/N	Items	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
1	Health/Nutrition	2,6522	3,0423	5,0609	4,8380	7,3430	11,2919	13,7373	17,5819	35,4220	40,7411	40,7411	40,7411
	% Of the annual budget	1.5	4.4	5.2	3.4	5.0	4.6	4.5	2.7	3.9	4.7	4.7	4.7
2	Education	7,9994	10,2838	12,7280	15,3500	16,8400	23,6681	56,5682	56,5680.2	62,5670.1	69,0330.8	n.a.	n.a.
	% Of the annual budget	7.3	14.9	13.0	10.8	11.5	9.6	11.1	8.7	7.0	7.9	n.a	n.a.
3	Water supply	63.3	197.5	0.0	2,1951	2.4350	3,8434	-	14,3189	64,7617	31,9420.2	31,9420.2	31,9420.2
	% Of the annual budget	0.12	0.6	0.0	14.9	15.1	1.5	-	2.2	7.2	4.8	4.8	4.8

Sources: (a) Federal Office of Statistics, Lagos (1993-2004); Central Bank of Nigeria Annual Publication (1993-2004).

system prevalent in the preceding PEM system was entirely replicated in the 'Due Process'PEM. This has been one of the roots of political crisis in Nigeria between 1999 and 2005.

From the inflation of the appropriation bill sent to the legislature by the legislature (Agekameh et al., 2000), none implementation of budget as approved and slow pace in the release of capital votes by the Executive, none execution and or poor execution of projects (Bakare, 2004), to the executive of none approved projects/programmes such as the National Political Reform conference, the entire 'Due Process' PEM is fraught with indiscipline and irregularities. These and other violations of the budgetary rules by the Executive led to series of attempts to impeach President Olusegun Obasanjo between 1999 and 2005. They have also led to such moves in the two federal legislative houses to impeach their principal officers. Essentially, the contending phenomenon in the New PEM is transparent, competitive and Competence Public Procurement –Public Contracting Practice (BMPIU, 2005). Characteristically, the reform claims to have introduced new rules for contract award, project implementation and monitoring.

However, it only multiplied and or duplicated the offices and responsibilities for budgeting, and project/programmes implementation. For instance, transparency, competition, and merit, jointly called right procedures and right costs form the operational frameworks of the 'Due Process' PEM. Approval and award of contract- federal, was subdivided into three categories based on contract value. However, the BMPIU certificate or clearance, which the study consider in this paper to be indirect authorization or approval of such projects, must be obtained no mater the category of the contract. The synopses of the rules which must be kept before such certificates are issued include: advertisement requirement, pre-qualification process and criteria, invitation to tender, opening of tender, the bid evaluation process, and determination of the winning bid.

All of the above features, collectively, are synonymous with the pre-existing rules and practices inherent in the Audit System as can be found in the Financial Instruction (FI). Financial Instruction is an authoritative civil service document containing the rules and regulations, procedures, offices, and roles concerned with public expenditure and accountability, no matter the value of such projects. A detailed comparison between the FI and BMPIU documents that contain both the old and new PEM system reveals the following:

The 'Due Process' PEM is only a distortion of existing rules of public procurement and accountability. It specified the rules and or procedure for obtaining financial authorities, authorization of expenditure involving hundreds of thousands and above (at the federal level alone), expenditure control and classifications, contracts and jobbing orders, tender boards and tenders, and punishment for offenders. It disregarded in its entirety the state/local government systems and operations, treasury organizations, rules, procedures and practices, impress system, remittance, advances, loss of and shortage of funds and revenue generation that were extensively treated by the old PEM. The reform has only made specific roles or a unit of operation within the accounting/auditing system stands out as departments or offices with special titles, salaries/allowances and votes. Such include the Resident Due Process Team (RDPT), the Project Monitoring and Implementation Office in the presidency etc. The entire paraphernalia of right procedures, right costs, and synopsis of the new PEM are synonymous with audit rules that were practiced in the old PEM. Thus, it can aver that the reforms only duplicated functions, process/ rules and allocations. The only difference in the budgetary reform, which has minor impact on the

PEM system due to non-implementation, is the provision that allow contract bidders or their representatives and members of the civil society to witness the tender opening. However, this does not permit them to participate in the action. Secondly, they are involved in project implementation and monitoring. Across the entire BMPIU blue print, there is no provision or safeguard against gifts to official or corruption.

Fiscal reforms are evolutionary processes that seek to alter the mode and character of accounting operations due to observed ills and weaknesses. Designing these organizational and procedural changes within the fiscal system is not a difficult task. The real constraint lies with the human factor in institutional change. Literature have shown that the success of any reforms lies with the identification of this factor and the offering of incentives both to engineer the acceptance and implementation of the reform process, and to eliminate the constraints they face in sustaining it (Diamond, 2001:8). This incentive revolves around rewarding good performance and sanctioning poor performance.

In the old budgetary system in Nigeria, little or no emphasis was placed on rewarding good performance. Focus has been on how to obtain authority to incur expenditure (A.I.E) and utilizing such within the approved period, normally one year. Where the approved sum is not fully spent, it expires at the end of the accounting period. In this case, if the outstanding balance is retired, it tends to reduce the future fiscal allocation to such department or line ministry by the same amount or even lower. Thus, financial administrator and chief executives of line ministries tend to write-off such balances. According to Holmstrom and Milgrom (1991), this is not only a negative but also a perverse incentive that rewards agents (departments) for budget – maximizing behaviour (through static or increased funding levels in the next fiscal year). It penalizes agents that engage in cost saving behaviours. McNab and Melese (2005) aptly described this experience in the following manner, the incentive structure of a system is largely negative in orientation, in that the non-use of public resources results in the imposition of institutional (lower appropriations in succeeding fiscal years) and personal (demotion, re-assignment, or in the worst cases, incarceration) penalties. Inherent in the perverse incentives created by control budgeting is the “use it or lost it” phenomenon (Niskanen, 1994). The negative characters/features of Nigeria’s fiscal system equally manifest at the level of reward for the individuals within the system. Punishment is the reward for violating accounting rules and this include transfer, demotion, forced retirement, dismissal, prosecution and imprisonment. Prior to the BMPIU’s ‘Due Process’ fiscal operation, attention has never been given to rewarding those who comply with the rules. Instead, individuals that work for accountability and transparency are either directly or indirectly punished.

Consequently, persons within the structures of the fiscal system constitute systemic saboteur. No matter the nature and features of any fiscal system or reformation of such system, the human factor remains the determinant factor for its success. However, a critical study of the BMPIU or ‘Due Process’ reforms blueprint and practices reveals a total indifference to the introduction of pro-active incentives into Nigeria’s fiscal system. The entire incentives it pursues are perverse, negatives and punitive in character. It has only consolidated the old order. It focuses on compliance to rules, procedures, performance and punishment for deviants. It is completely silent on the reward for excellence, proper accountability and transparency.

Even with the establishment of monitoring units, good structures for governing public money and assets, the reform failed to establish a safeguard for their objective and corrupt free practices; with the complete absence of motivation and or pro-active incentives, defaulters, deviants and other interests resort to presenting gifts and or bribes to monitoring officials – moving corruption to a higher level.

Due process PEM and national development

In assessing the potentiality of the BMPIU fiscal operation to enhance national development, our first focus is on its features and or nature. Conventionally, ‘Due Process’ is a procedural rule of orderliness wherein public activities comply with laid down procedures. It applies to all systematic phenomena, whether social, cultural, economic and political. In the context of the fiscal system, it refers to the mechanism guiding procedures, rules and phases governing the evolution of annual appropriation bills, its implementation monitoring and evaluation. However, BMPIU (2005:1) defines it as a mechanism for ensuring strict compliance with openness, corruption and cost accuracy rules and procedures that should guide contract award within the Federal Government of Nigeria.

The defect of this BMPIU ‘Due Process’ lies in the restriction to contract award and the Federal Government only, leaving the state and local governments behind. Contract award constitutes an infinitesimal aspect of budgetary practices. This ‘Due Process’ did not take into account the processes, rules and stages through which national appropriation bills emerge. It ignored also the procedures and rules governing revenue generation. Recurrent expenditure, which constitutes 70.9% of Nigeria’s total expenditure from the year 2000 to 2004, was not provided for by the ‘Due Process’. In essence, the bulk of what would have been allocated to development programmes/projects was spent without the application of ‘Due Process’ mechanism. Thus, the existing corrupt practices and defective systemic mechanisms were consolidated under the ‘Due Process’. It is equally pertinent to observe that any reform that is not holistic cannot transform the society. The PEM reforms failed to meet up with this standard.

Further, the neglect of treasury organization, rules and regulations by politicians and the BMPIU due process mechanism seriously undermines accountability. Receipts, deposits and safeguard or custody of state revenues are no more systematized. Cases of individual public office holders transforming their water tanks and private or official quarters to Banks exist. The discovery by EFCC of the existence of such in the official quarter of the political adviser to the former Enugu state governor, Prince Sam Ejiofor in 2004 authenticates this point. Allocation of funds and choice of programme are arbitrary, partisan and non-developmental. The new PEM has equally failed to depart from earlier practices wherein development variables or factors receive very low fiscal allocation. A review of Nigeria's sectorial allocations as contained in Table 2 reveals a decreasing allocation to such sectors. Specifically, from 1996's 14.9% and 11.5% budgetary allocation to education in 1997, the BMPIU regime reduced it to 7.9% in 2002. This applies also in the power and agricultural sectors. How then can the fiscal operation then foster development?

The structure of Nigeria's fiscal operations as contained in Table 1 equally reveals that the BMPIU regime gave preference to interest payment instead of credit repayment. From an average of 4.2% foreign interest payment in 1998 to 1999 or 6.6% between 1993 and 1997, it increased it to 7.9% between 2000 and 2004. Fundamentally, the non-payment of the capital credit multiplies both the rate of interest and the amount being paid annually as interest. It is an exercise that enhanced capital flight and underdevelopment. The multiplication of roles and offices involved in the fiscal management system and the absolute neglect of the primary structure of accountability in public service - the audit system – by the new PEM negates development. It duplicates financial expenses, creates avenue for conflicts and confrontation, leads to inferiority behaviour and indifferences manifested in the line ministry accounting operations, widened the scope of corruption and financial leakages in the public sector. These deplete development funds. Therefore, it is imperative that the BMPIU 'Due Process' fiscal operation lacks the power or potency to enhance national development.

CONCLUSION

Public fiscal management is a tool that restructures redirects and implements national development. Consequently, PEM, by the nature of its evolution, power and role is used as an annual apparatus to implement government fiscal management. Thus, employing the institutional budgetary approach as our framework of analysis, this paper critically studied the BMPIU fiscal reforms introduced by President Olusegun Obasanjo in 2003. It was observed that, contrary to the campaign and euphoria of the reform package, there were no changes in:

1. the process of budgetary evolution in Nigeria,
2. the structure of PEM in Nigeria,
3. the pattern of annual allocations using the instrumentalities of the PEM, and
4. the culture of PEM in Nigeria that has been characterized by indiscipline, leakages, inefficiency and corruption.

Above all, and contrary to the position in the literature, the reform package did not provide any pro-active incentive structures that would have empowered the human elements in the system. It is equally a reform package that has neglected existing culture of checks and balances in the Nigeria public service. These and other observed weaknesses on the part of the reform destroyed its potential to enhance national development. The paper therefore recommend that, the reform should be holistic, preserving the essential features of the old order, and introduce pro-active incentives/rewards for personnel that will adhere strictly to rules and procedures of improved performance.

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