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Budget Evaluation against Fiscal Rules: The Case of Nigeria Using a Fiscal Rascality Index™

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Authors' contributions

This work was carried out in collaboration between all authors. All authors read and approved the final manuscript.

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ABSTRACT

This study investigated if Nigeria's economic managers' complied with expenditure budgeting and disclosure laws as contained in the Fiscal Responsibility Act. For the purpose of this analysis, an index of fiscal rascality was used to establish evidence of adherence (or non-adherence) of Nigeria's national budgets to constituted fiscal rules. The result revealed that there existed unabated appetites for perennial budgeting rascality in Nigeria. The findings however show that democracy in Nigeria is yet to respect the rule of law as it concerns managing Nigeria's economy through fiscal rules. Consequently, it recommended that the legislative arm of government must enforce its powers by duly recommending economic managers who flout fiscal rules for prosecution as prescribed by the Fiscal Responsibility Act.

Keywords: Fiscal rascality index; fiscal rule; fiscal responsibility act; fiscal strategy paper; chain-base index.

JEL classification: H61, H89, K20.

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1. BACKGROUND ISSUES

Since the inception of democratic governance in 1999, Nigerians have built up very high expectations that yearly budget outturns will achieve laudable programs that should lead to a reduction in poverty and improve their welfare. However, concern seems to be growing among stakeholders year by year on the ability of the budget to achieve government's policy objectives. Budget conception, preparation, approval (by National Assembly and Executive assent), execution, tracking as well as its final evaluation are the key stages of the budget process. According to Olomola [1], a good budget process must attain three important objectives, namely;

(i) Realistic expenditure proposals and revenue projections in order to maintain fiscal discipline,
(ii) Compliance with financial regulations, release of funds within stipulated timelines to avoid undue fiscal imbalances.
(iii) Plus attain allocative and operational or technical efficiency.

Regrettably, Nigeria's budget processes are lacking in these objectives. The budget process is bedevilled with monumental defects and suffers myriad of abuses. Olomola [2] listed them to include;

(i) Lack of political will and commitment to fiscal rules and guidelines,
(ii) High incidence of extra budgetary expenditure,
(iii) Persistently chronic budget deficit,
(iv) Off-budget resource allocation and
(v) Executive and legislature horse trade resulting in so many delays in arriving at a consensus.

As an Act of Parliament, national budgets are not reports of ad-hoc standing committees of the legislature. Rather, an annual national budget is a sacred document, second only to the constitution in order of importance to a nation and its people. Nigeria's 1999 Constitution and until recently the 2007 Fiscal Responsibility Act (FRA) provides guidelines for budget processes. While the constitution in theory is the 'grundnorm'; the national budget as an act of parliament should be treated as a fiscal 'grundnorm'. The defects in the budget process especially poor budget implementation still persist unabated despite numerous reforms since 2000.

1.1 Fiscal Rascality

Government expenditure and revenue activities ought to be guided by the FRA, Medium Term Expenditure Framework (MTEF) and the Fiscal Strategy Paper. However, there are conflicts at times in the achievement of these stated objectives. Nigeria runs one of the most expensive democracies in the world (in relation to GDP) even more than America (the richest country on the planet) where Nigeria borrows her presidential system. For a country that was only in 2007 relieved of its debt burden, escalating government overheads amidst dilapidating infrastructures have attracted concerns and elicited strong interest from analysts and researchers.

1.2 Conflict of Roles

There is growing debate in Nigeria between the executive and legislative arm on who has superior power over the budget. While the law states that the president only lays a budget proposal, the national assembly is to appropriate funds. At best, when the budget proposal is submitted in October (earliest time), the series of heckling and padding of estimates makes the president delay assent until March (at best), hurting implementation. Notwithstanding, the National Assembly will always defend their insertion of humongous figures for small scale constituency projects as their only succour for their constituencies back home as there will be no other project to prove to their constituents of their sojourn to the federal capital, as evidence of poor federal project implementation dots the landscape.

1.3 Fear of a Fiscal Overdrive

Fiscal deficit in 2012 was approximately N1trn in normal terms or 2.85% of GDP. The deficit was funded by government borrowings through the issuance of securities of varying maturities. Little wonder, the Central Bank of Nigeria (CBN) has always been concerned about reckless government expenditure - its impact on increasing liquidity amidst high-powered money. This makes CBN's monetary policy to perennially be restrictive in opposite of the executive's expansionary fiscal policies, unlike in other well managed economies where monetary and fiscal policy flow in tandem. This goes to prove that Nigeria's perennial deficit spending is inefficient [3]. Ironically, it is important to note that in other serious climes where the economy is managed prudently, interest rates are driven down to 3 – 4 percent to rebound their private sector unto the path of recovery. Sadly, in Nigeria because of defective spending patterns, the CBN is continuously funding budget deficits with interest rates has high as 16 – 23 percent.

The need arises therefore to analyze budget implementation with a view to identifying ways of plugging waste pipes and freeing funds for executing projects that will improve the welfare of the people. In doing this, attention is limited to the federal tier of government. Hence, this paper seeks to (i) score the performance of the national budgets in Nigeria against a rascality index (ii) examine the structure of government expenditure at the national level and (iii) proffer policy recommendations to strengthen the budget process and improve the implementation outcomes. It is expected that this study will spur national debate and lead to the full implementation of the FRA.

This paper is divided into six sections. Section 1 introduces the topic and its problem statement. Section 2 delves into the theoretical philosophy behind public sector spending and associated empirical literature as it concerns Nigeria. In addition, it identifies those expenditures that may or may not contribute to economic growth with a view to reclassifying them. The analytical section of this paper scores government expenditure against a rascality index. Section 5 recommends ways of strengthening the FRA and ends with conclusion in section 6.

2. RELATED LITERATURE

The power of fiscal policy of which the budget is an instrument of economic stabilization was acknowledged in the works of Tombofa [4], Agiobenebo [5], Jhingan [6] and Gbosi [7]. In discussing the role of annual budgets, these papers tried to examine the quality of government spending on the economy. This in itself is a hotly debated issue in Nigeria's public finance management. Barro and Sala-I-Martin [8], Folster and Henrekson [9] claimed that the growth of government spending has a significantly negative impact on economic growth of a country. However, Wagner's growth in public sector size hypothesis has been validated especially in developing countries mainly due to increasing income threshold effects like wars or depression, interest group demands like public sector employees or unions, productivity differentials, redistribution and even motivations [10,11,12].

The public debate on the increasing size of the public sector and the attendant increase in spending has cut across boundaries of all economies in the world today. Consequently, two schools of thoughts exist; the first argues that large government participation hurts efficiency, growth and productivity in the system. The basis of this view is that the public sector is not sensitive to market signals, engenders high production debts and is susceptible to distortions from fiscal and monetary policies. Conversely, those in favour of government articulate the need for the provisions of public goods, which is a failure of the market economy arising from externalities [13]. Despite the contrasting views above, government expenditures can engender economic growth in Nigeria. From resource allocation angle, an increase in government consumption leads to private consumption or capital formation. Structuralists have proven that some categories of government expenditures are necessary to surmount constraints to economic growth [14].

Of course, the appearance of John M. Keynes' (1936) prescription changed the complexion of the argument in favour of government intervention in the workings of the economy because he identified the problem to be that of aggregate supply exceeding that of aggregate demand. As discussed by Keynes and his early followers, there was nothing fiscally irresponsible about government increasing aggregate demand by increasing deficit spending through some combination of more spending and lower taxes. In the likelihood that the budget will be balanced over time as budget deficits would offset surpluses to curtail fiscal rascality. Of course as in anything in human nature, problems still exists because letting the good times roll is much more fun for politicians than worrying about the bubbles and distortions that invariably result when times become too good for too long. Consequently, politicians are quick to turn to Keynes to justify running deficits when the economy slowed, but they forgot about his recommendation to moderate economic activity with budget surpluses in boom era [15].

Following the Keynesian model, Easterly and Rebelo [16] did emphasize the importance of government spending in economic growth. Nonetheless, they emphasized on the composition of public expenditure rather than its level and in that vein felt that the productive government expenditure has an effect while the unproductive government expenditure has no effect. But the problem is to identify which government expenditure is unproductive. This implies that government expenditure and composition of government expenditures are important.

2.1 Empirical Literature

As revealed by Ekpo [17], capital expenditure on agriculture, communication, transportation, health and education motivates private investment in Nigeria, which invariably enhanced the growth of the overall economy. Cameroon [18] examined the relationship between public spending and growth through private investment. A derivative of Denison growth accounting model was used in his study. The study concluded that expenditure especially on education and health crowd-in private investment.

Another key interest to economists is the impact of fiscal deficits on the prospect of economic growth. Financing of fiscal deficits reduces funds available to private investors - crowding-out is very likely to retard economic growth. Ndebbio [19] examined the full impact of fiscal deficits, inflation and money supply in Nigeria. He established through the granger causality test that for the Nigerian economy, the relationship between fiscal deficit and inflation is no longer unidirectional, rather, it is a two way system in which simultaneously, fiscal deficit is caused by inflation and inflation is also caused by fiscal deficit.

3. METHODS

3.1 Sources of Data

Secondary data was gotten from the Budget Office of the Federation (BOF), Office of the Accountant General of the Federation (OAGF) and CBN statistical bulletin of various issues. Reports of national budgets and presidential budget speeches were downloaded from the BOF website, reports of yearly financial statements was captured from the OAGF website and national public finance data was gleaned from the CBN website.

3.2 Index of Rascality

In this study, to explain budgeting discipline (or the lack of it) and how it adheres to the rules in FRA, a budget rascality index was developed with the key parameters enshrined in the FRA to see how the yearly budgets measured up to it. Parameters and guidelines in the FRA (2007) were set out as the indicators. Thus, the rascality index will be sensitive to nine important indicators as shown in Table 1.

The explanations Table 1 form the basis for the index formulation for this study.

3.3 Analytical Technique (Rating Scale)

The analysis made use of the method of chain-base index whereby each period in the series uses the previous period as a base. It shows both whether the rate of change is rising, falling or constant and the extent of the change from year to year. The major advantage of this method over the fixed-base method is that it gives a more direct comparison between successive years.

The Rascality Index is bound between 0 to 900 index number, with 0 to 449 representing complete failure or rascal (indiscipline) budgeting and from 450 to 900 (progressively) indicating at least a pass or discipline budgeting. Eight of the indicators will have a score of 1 for a yes (desirable) and 0 for a no (undesirable). The indicator rating for *'publish consolidated budget implementation report'* will be rated a quarter score for each quarter of the report successfully published, summing up to a full score of 1 for four quarters. Care was taken to ensure that the indicators which both are ordinal and nominal variables will be properly weighted before being transformed into an index using the chain-base rule.

3.4 Data Description

The indicators are historical data gleaned from the BOF, OAGF and the CBN. Recurrent expenditure shall mean only non-debt spending. Therefore, statutory transfers and debt service expenditures are not included. Key indicators of the performance of the national budget identified in the literature include:

(i) Share of expenditure on functional component of government non-debt recurrent expenditure and capital expenditure (which make clear distinction between productive and unproductive spending for our analysis)
(ii) Overall budget balance (overall surplus/deficit as a percentage of the GDP)

(iii) Estimated or budgeted recurrent vs. capital allocation vis-à-vis the utilization (actual spent) of the budget funds.
(iv) Only recurrent and capital ratios shall take into account the statutory transfers and debt service expenditures.
(v) The actual yearly expenditures shall factor in the supplementary budgets.

4. ANALYSIS AND RESULTS

4.1 Structure and Trend of Government Expenditure in Nigeria, 1999-2014

The structure of government expenditure was considered by examining the capital and recurrent non-debt functional components of expenditures separately. Recurrent expenditure is made up of all "consumption" items such as overheads, personnel cost, etc., while capital expenditure include all expenses which contribute to long term development such as spending on national priority projects, social and economic infrastructure. Table 2 shows that recurrent side of the budget was always more than the capital side except in 1999. This alone does not show the whole picture except Table 3 is considered as well.

An inference from Table 3 sums up the flagrant disregard for the deficit ceiling set by the FRA in a democracy, which reached an all time high of 5% only second to 9% in 1999. The remarkable result in 1999 from Table 2 can now be properly understood which was due to its heavy deficit financing being more than half of the capital budget. Notwithstanding, there is some hope of repentance insight, with the latter trend from 2012 being below the allowed threshold of 3%. One can only hope that the current trend of fiscal discipline is sustained in the long run.

Table 1. Indicators

Indicators	Justification	Decision rule	Weight
Preparation and approval of MTEF document by the National Assembly.	Budget derived from approved MTEF (known by the timing of both) FRA s. 11 (1) & (2).	Yes or no	1
Deficit expenditure ceiling (3% of GDP)	FRA s. 12	Yes or no	1
Preparation of annual cash plan for & disbursement schedule for implementation by finance minister and published on the internet.	FRA s. 25 & 26	Yes or no	1
Publish (quarterly) report on budget implementation.	FRA s. 30(2)	Yes or no	(0.25)1
The MTEF is to contain a breakdown of development priorities.	FRA s. 3 (4)	Yes or no	1
Publish annual consolidated budget implementation report.	FRA s. 50	Yes or no	1
Deficit not to exceed capital expenditure.	FRA s. 41	Yes or no	1
Budget derived from approved MTEF (known by the of timing of both)	FRA s. 11 (1) & (2)	Yes or no	1
Assent to Appropriation Act.	Timeliness in budget approvals aid implementation. Financial year Act, Cap F.27, Vol. 7, Laws of the Federation of Nigeria, 2004. Nigerian financial year to be the period between January 1st to December 31st of every year	Yes or no	1

Source: FRA 2007 & Author's compilation

Table 2. Approved budgeted expenditure estimates (Supplementary inclusive) (N' Billion) & Recurrent to capital expenditure ratio

Year	Total	Recurrent (non debt)	Capital	Recurrent to capital ratio	Remarks (source of data)
1999	340.60	113.30	118.70	47:53	BOF
2000	653.10	341.53	31.61	NA	CBN
2001	1086.79	424.86	511.93	45:55	CBN
2002	111.30	543.00	297.00	68:32	CBN
2003	1446.00	508.80	472.90	80:20	CBN
2004	1300.00	539.20	349.86	60:40	OAGF
2005	1799.00	737.30	617.20	55:45	OAGF
2006	1899.00	950.32	568.55	63:37	OAGF
2007	2266.20	1057.00	781.50	57:43	OAGF
2008	3234	1328	785	61:39	OAGF
2009	3558	2278	1281	62:38	CBN
2010	5159.66	2137.58	883.87	65:35	CBN
2011	4485	2527.26	918.55	74: 26	CBN
2012	4877.21[a]	2425.05	1340	72:28	BOF
2013	4987	2380	1620	69:31	BOF
2014	4910[a]	2410	1530	74:26	BOF

Source; CBN, BOF, OAGF

Note: a – inclusive of SURE-P program; NA means not available

Table 3. Summary of actual federal government finances (N' million)

Year	(1) Total expenditure	(2) Capital expenditure	(3) Recurrent expenditure	(4) Surplus (+) /Deficit (-)	(5) % of (4) to Nominal GDP
1999	947,690.00	498,028.00	449,662.40	-285,104.70	-8.93
2000	701,059.40	239,450.90	461,608.50	-103,777.30	-2.90
2001	1,018,025.60	438,696.50	579,329.10	-221,048.90	-4.68
2002	1,018,155.80	317,644.90	696,777.70	-301,401.60	-3.94
2003	1,225,965.90	213,625.30	446,572.50	-202,724.70	-3.39
2004	1,426,201.30	351,300.00	1,032,800.00	-172,601.30	-1.51
2005	1,822,100.00	494,000.00	730,000.00	-100,000.00	-1.10
2006	1,938,002.50	552,385.80	1,290,201.90	-101,397.50	-0.55
2007	2,450,896.70	759,323.00	1,589,273.70	-117,237.10	-0.57
2008	2,806,744.50	711,632.40	2,117,362.50	-1,200,000.00	-4.90
2009	3.054,339.51	919,480.00	1,717,496.29	-1,394,350.00	-3.95
2010	4,050,000.00	935,610.00	3,395,210.00	-1,088,260.00	-3.71
2011	4,302,090.00	808,960.00	2,527,260.00	-1,735,420.00	-3.62
2012	3,131,090	744,420.00	2,400,300.00	-1,000,140.00	-2.85
2013	NA	1,008,000.18	NA	NA	
2014	NA	NA	NA	NA	

Source; BOF, CBN public finance statistics

Note: NA means not available

Observation of the deployment of the perennial deficit for the period under review underscores the fact that Nigeria's economic managers have an uncontrollable appetite for funding unproductive recurrent expenditures with deficits. Unproductive expenditure has no bearings on investments in the welfare and capacity on majority of Nigerians but exclusively caters for the emoluments and salaries of less than one percent of the Nigerian population – being federal civil servants.

According to the office of the Accountant General financial statement reports, about 49 MDAs currently undertake implementation of federal budgets. Instructively, the percentage rate of capital utilization for most of the period under review, paint a deceptive bright picture amidst double rates of inflation. This is so because actual capital spending was compared to the "amount cash backed" instead of the estimated budget as shown in Table 4.

Table 4. Budget utilization (Actual released or cash backed)

Year	% Utilization of recurrent expenditure	% Utilization of capital expenditure	Inflation rate
1999	110	40	6.6
2000	103	54	6.9
2001	96	60	18.9
2002	98	70	12.9
2003	105.11	36	14.0
2004	109.56	48.53	15.4
2005	92.31	40.26 [a]	17.9
2006	91	84.64	8.4
2007	91	80.18	5.4
2008	90.35	80.28	11.6
2009	93	77.13	12.4
2010	110	75	13.7
2011	104.21	87.9	10.8
2012	NA	NA	12.2
2013	100	96.5	8.5
2014	NA	NA	8.1

Source; OAGF, CBN & BOF
Note: a. 30th June 2006; b. NA means not available

Table 5. Signing of the budget (Appropriation act) by the president

Year	Date of budget transmission to national assembly	Signing of appropriation act into law by the president (assent)
1999[a]	NA	NA
2000	November 24 1999	May
2001	November 2000	NA
2002	November 7 2001	March 26
2003	November 19 2002	NA
2004	December 18 2003	April 21 2004
2005	October 12 2004	April 12 2005
2006	December 5 2005	February 22 2006
2007	October 11 2006	NA
2008	November 8 2007	April 14 2008
2009	December 2 2008	March 2009
2010	November 23 2009[b]	April 22 2010
2011	December 15 2010	May 2011
2012	December 13 2011	April 13 2012
2013	October 10 2012	February 26 2013
2014	December 19 2013	May 23 2014

Source: BOF, CBN
a. Due to New democratic administration from May 1999, not applicable cause that year only had supplementary budget.
b. Not presented by the president due to illness.
NA means not available

4.2 Budget Implementation

To properly explain budget implementation in Table 3, one must also analyze Table 4 (the signing of appropriation act) to infer why budget implementation in Nigeria has continually been a sore thumb. As most schools of thought will unequivocally agree that the implementation of budgets in the start of the second quarter is too much of a time loss to legislative-executive horse-trading. The foregoing has adverse implications for the implementation rate of the annual budget. The annual budget is drawn from the MTEF and as such awaits the approval of the MTEF by National Assembly so that variables like aggregate expenditure, benchmark price of crude oil, envelopes for MDAs etc will be drawn from it. It is worthwhile to note in 2012 the 2013-2015 MTEF was passed by the National Assembly a day before the October 15 submission of the 2013 budget. In such a case, how will a day difference allow for the changes made by the legislature?

In the last four years, the federal budget has never been passed before the commencement of the New Year and delays in presentation and passage of the budgets eventually lead to poor capital budget implementation, unlike the recurrent, which in 2003, 2004 and 2011 was overdrawn. In 2011, inflation came down by -3% points; instead of capital implementation to hit close to the 100% mark ironically it was the unproductive expenditure side that was oversubscribed. This goes to underscore another school of thought, which asserts that lack of technical capacity especially in project management hinders productive spending. Spending on office overheads and personal emoluments is very easy to drawdown, unlike capital spending which involves lots of technicalities.

5. DISCUSSION OF RESULTS

According to the Rascality Index in Table 6, the weights of the indicators were computed from 2008-2014 whereby their values were transformed using a chain index. Table 7 shows that Nigeria scored its highest indices of 300 for the years 2012 and 2013 from a maximum possible index score of 900, less than a pass mark rating of 450. The worst performance year was 2008 this could be because the economic managers were yet to fully understand the modus operandi of the Act as it only came into being in 2008. The budget performance showed a gradual progression in 2009 and 2010. However, 2014 was the next worst score because it preceded the election year of 2015. The same can also be said for the election year of 2011. This again validates the fact that election cycles hurt budget processes severely. This means governments only have 2 years to actualize policies through the budget. From this it can be concluded that by the FRA 2007 law, Nigeria has failed in her budgeting and by extension her economic managers have seriously renegade on the budgetary laws of the land. Perennial requests by the executive and approvals by the legislature for the extension of the financial year for implementation of capital components of the budget to March of the following year have become the norm. The Financial Year Act clearly states the Nigerian financial year to be the period January 1st to December 31st of every year. Such requests and approvals founded on the late passage of the budget are illegal.

Table 6. Rascality index

Indicators / Years	Preparation of MTEF[a]	Prioty breakdown in MTEF	Preparation of Annual cash plan	Budget derived from approved MTEF (in terms of timing)[d]	Deficit Expenditure ceiling (3% of GDP)	Deficit not to exceed capital expenditure	Publish quarterly budget implementation report[e]	Publish consolidated budget implementation report	Assent to Appropriation Act[b]	Total
2008	No	No	No	No	-4.90% (No)	No	Yes (1)	No	Late (No)	1
2009	2010-2012 (1)	No	No	29th July (yes)	-3.95% (No)	No	No	No	Late (No)	2
2010	2011-2013 (1)	No	No	Dec (No)	-3.75% (No)	No	Yes (0.50)[f]	Yes (1)	Late (No)	2.50
2011	2012-2015[c] (1)	No	No	Nov (No)	-3.62% (No)	No	Yes (1)	No	Late (No)	2

Indicators / Years	Preparation of MTEF[a]	Prioty breakdown in MTEF	Preparation of Annual cash plan	Budget derived from approved MTEF (in terms of timing)[d]	Deficit Expenditure ceiling (3% of GDP)	Deficit not to exceed capital expenditure	Publish quarterly budget implementation report[e]	Publish consolidated budget implementation report	Assent to Appropriation Act[b]	Total
2012	2013-2015 (1)	No	No	18th Sept (No)	-2.85% Yes(1)	No	Yes (1)	No	Late (No)	3
2013	2014-2016 (1)	No	No	14th Nov (No)	-1.85% Yes(1)	No	Yes (1)	No	Late (No)	3
2014	2015-2017 (1)	No	No	30th Sept (No)	-1.90% Yes(1)	No	No	No	Late (No)	2

Source: Author's computation

Note:

a. *Enactment of FRA was in 2007 July.*
b. *Although the Act does not enshrine a mandatory fix time for implementation of the appropriation Act, this indicator is important, as late implementation is a crucial factor for poor budget implementation in the country.*
c. *The Minister however erroneously presented this MTEF to NASS as 2012-2015 MTEF- a time frame outside the contemplation of the FRA.*
d. *Timing of MTEF transmission to National Assembly gotten from www.nassnig.org/ nass2/ & www.frc-nigeria.org/*
e. *Appropriate timeline data for submission of quarterly budget implementation report was gotten from Fiscal Responsibility Act of Nigeria.*
f. *3rd & 4th quarter of budget implementation report of 2010 was sent in beyond FRA stipulated timeframe*

Table 7. Chain index series, 2008-2014

Year	Value	Link relatives	Chain Indices
2008	1	1 x 100 =100	100
2009	2	2/1 x 100 = 200	100 x 100/200 = 200
2010	2.5	2.5/2 x 100 = 125	200 x 125/100 = 250
2011	2	2/2.5 x 100 = 80	250 x 80/100 = 200
2012	3	3/2 x 100 = 150	200 x 150/100 = 300
2013	3	3/3 x 100 = 100	300 x 100/100 = 300
2014	2	2/3 x 100 = 66.6	300 66.6/100 = 199.8

In 2010, the 2011 budget proposal was presented the same time with the MTEF document. This was in violation of the FRA. The bane of budget implementation is the almost perpetual haphazardness in the release of funds to spending MDAs. The Disbursement Schedule and Annual Cash Plan will facilitate budget implementation by spending MDAs in introducing the element of certainty and predictability in the disbursement of appropriated funds if used. However, the Finance Minister has failed and neglected to prepare the Budget Disbursement Schedule in line with the FRA.

6. POLICY RECOMMENDATIONS

There exist a lot of irregularities in Nigeria's budget formulation, execution and reporting. One of these can be glaringly seen in the reporting of percentage implementation of our budget, which has continually been an issue of debate, with different government functionaries brandishing different rates. Based on these findings, it is recommended that government should differentiate between physical implementation (deliverables) and budget utilization (accounting) rates. Budget utilization rates should stop being compared to ‘amount cash backed’, but only to planned budget, as a baseline.

The benefit of having quarterly budget implementation reports is to inform on remedial actions to be taken to correct future budget implementations. This is a standard project management practice of monitoring/control in the execution phase. Regrettably, when an expected report is sent in late at the end of a succeeding quarter, it becomes dead on arrival and useless in remedying whatever string of lapses that keeps recurring. This should not continue.

Supplementary budgets have become the norm; in 2010, the budget was revised by as much as 16.55%, in the absence of threat to national sovereignty, this is not commendable. Budget supplements should be restricted to not more than ± 5% not to create volatility and instability in expenditures. Effort should by now be made to balance recurrent and capital expenditures in the ratio of 60:40 as contained in the National Economic Empowerment Development Strategy (NEEDS).

There is need for the regulatory bodies to increase its monitoring and enforcement efforts to ensure that the Medium Term Expenditure Framework (MTEF), budgets, audited financial accounts, and other reports are prepared and published as at when due and more rigor should be introduced into investigating infractions and reporting of same to the Attorney-General of the federation for possible prosecution. Section 2 (2) of FRA states, “If the Commission is satisfied that such a person has committed any punishable offence under this Act, violated any provisions of this Act, the Commission shall forward a report of the investigation to the Attorney-General of the Federation for the possible prosecution. The Senate in their plenary on Feb. 28, 2013 sought to amend the FRA [20]. This is rather unnecessary, as the National Assembly ought to enforce the Act by prosecuting defaulters. By this only will they be able to institute probity and fiscal discipline in Nigeria.

7. CONCLUSION

Complete adherence to the fiscal rules in the FRA will better the overall implementation of the budget and the rascality index score. This will further build confidence on the executive – legislature relationship on one hand and the citizens – government pact on the other, ensuring a well managed economy and improved welfare for citizens.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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