

IMPEDIMENTS TO BUDGET IMPLEMENTATION IN DEVELOPING COUNTRIES – THE NIGERIAN EXPERIENCE

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Abstract:

The government of the developing countries like Nigeria has been involved in budget formulations with the aim of reducing underdevelopment and improving the living standard of the people. This paper looks into the various problems that have hampered the transmutation of these policies into action. The implementation problems like delay in policy formulations, lack of political will, the monoculture economy based, corruption and other problems were x-rayed and analyzed by this report. Various ways of overcoming these implementation problems were also discussed. It was concluded that inadequate periodical review of budget implementation to reveal any policy slip has elevated the widening gap between policy formulation and implementation. The involvement of all parties especially the target beneficiaries in budget formulations and implementations was recommended. It is believed that problem free implementations will be achieved when commitment of all parties is secured. This will produce the needed improvement in the polity.

It has been observed that poor and unrealistic policy implementation has long been the bane of socio-economic development in the developing countries and by implication, Nigeria. Budget implementation is not simply a matter of executing the approved budget. In almost every country, the implemented budget varies from the adopted one which is brought about by the country's fiscal conditions, stability and certainty in the country's finances, the role of the finance ministry, and the type of budget system. A highly itemized budget may experience more variance than one which gives managers spending discretion. The trend in contemporary public management is to give spending units more flexibility in implementing their budgets, even though this may not be appropriate in countries with inadequate management controls.

Ademolekun (1983) sees budget implementation as the activities that are carried out in the light of established policies. Egonmwan (1991) also says that *budget implementation refers to the process of converting financial, material, technical and human inputs into outputs- goods and services*. Edwards III (1980) also defines budget implementation as a stage of policy making between the establishment of a policy (such as the passage of a legislative act, the issuing of an executive order, or the promulgation of a regulatory rule) and the consequences of the policy for the people whom it affects. It also involves a wide variety of actions such as issuing and enforcing directives, disbursing funds, making loans, assigning and hiring personnel, etc.

Budget implementation problem occurs when the desired result on the target beneficiaries is not actualized. Such implementation problems, however is not restricted to only the developing nations, because the basic critical factors that are very crucial to budget implementation can be missing in either the developed nations or the developing nations. And once that is the case, it invariably will lead to implementation problem(s). Edwards III (1980) listed the basic critical factors to be the following; communication, resources, dispositions or attitudes, and bureaucratic structure.

These factors operate simultaneously and interact with each other to either aid or hinder budget implementation. The implementation of every government policy is a dynamic process, made up of interaction of many variables. The focus of this paper will be on Nigeria, which happens to be one of the developing nations.

The issue of budgeting, investment and how it was undertaken in the budgeting process of the developing nations constitutes a major concern of this paper. Even *in the midst of the global resources and economic meltdown, developing nations are not only technologically backwards but also wallow in neck deep poverty and indebtedness.*

From the aforesaid, communication is one of the factors necessary for effective implementation of public policy. Through communication, orders to implement policies are expected to be transmitted to the appropriate personnel in clear manner while such orders must be accurate and consistent. On the other hand, inadequacy of information can lead to a misunderstanding on the part of the implementers who may be confused as to what exactly are required of them. In order words, implementation instructions that are not transmitted, that are distorted in transmission, that are vague, or that are inconsistent may cause serious obstacles to budget implementation. Conversely, directives that are too precise may hinder implementation by stifling creativity and adaptability (Edwards III, 1980). Such precise directives do not give room for the implementers to exercise discretion and flexibility as the needs arises. Where implementation orders are clear, consistent and accurately transmitted, the absence of adequate resources will result in implementation problems.

Resources here includes the human and material such as adequate number of staff who are well equipped to carry out the implementation, relevant and adequate information on implementation process, the authority to ensure that budget are carried out as they are intended, and facilities such as land, equipment, buildings etc, as may be deemed necessary for the successful implementation of the policy. Without sufficient resources it means that the laws will not be enforced, services will not be provided and reasonable regulations will not be developed.

Disposition and attitude is another key factor that affects budget implementation. Most implementers can exercise considerable discretion in the implementation of budget policies because of either their independence from the nominal superiors who formulate the budgets or as a result of the complex nature of the budget policy itself. The exercise of this discretion by the implementers depends, to a large extent, on their disposition towards the budget policy. The level of success will therefore depend on how the implementers see the budget policies as affecting their organizational and personal interest. Where a budget policy will result in reduction of pay, low self esteem, or loss of position to the implementers, the attitude/disposition will be affected adversely. On the other hand, if a policy will enhance the status, the pay or the self-esteem of implementers, such implementers will be favourably disposed to it. What that means is that highly placed individuals will frustrate the implementation of a budget policy that will take away benefit/positions from them and will also give full support and enhance implementation of another policy that is expected to add or increase their take home pay. If the officers are called upon to implement such policies as contained in the budget, the likely way things will go will depend on who is implementing the policy since he (the implementer) will exercise his discretion, to a large extent, on his/her disposition towards the policy.

It is to be noted that even when communication, resources and positive disposition are put in place, implementation success is still not guaranteed. Absence of efficient bureaucratic structure can still promote implementation problems. Edwards III (1980) opined that where there is organizational fragmentation, it may hinder the coordination that is necessary to successfully implement a complex policy especially one that requires the cooperation of many people. It may also result in wastage of

scarce resources, inhibit changes, create confusion, lead to budget policies working at cross-purpose and, at the end, result in important functions being overlooked. There are however, many other problems that seem peculiar to developing nations in the area of budget implementation which will be highlighted specifically.

Implementation Problems of Budget: The Nigerian Experience

In spite of the huge budget proposals of the government, there have been perennial challenges of implementations in the developing nations. As contained in Thisday of Wednesday, December 30, 2009, late President Umaru Musa Yar'adua while analysing the 2009 budget, admitted that there were problems with the budget performance. He put the blame on four things: Global economic crisis, fall in oil price, the Niger Delta crises and the low capacity utilization of budget releases by the Ministries, Departments and Agencies. According to the president, "implementation of the 2009 budget has been challenging, with revenue from both oil and non oil sources falling below projections". Such statement has always been frequently heard from the government circles as they will always hinge inadequate implementation of budget on something else.

While the president was very diplomatic in his assessment of the 2009 budget, members of the National Assembly were not impressed with successive national budget performances in Nigeria. As published in the Guardian of Tuesday, November 26, 2009, Senator Smart Adeyemi of the senate challenged the presentation of 2010 budget when according to him the 2009 budget passed a year ago had not been implemented up to 30 percent. On the same vein, the House of Representatives on Thisday of 23rd November, 2009, has stressed the need for adoption of effective budget procedure that will ensure adequate implementation and clear impediments associated with inefficient budget. In their communiqué issued recently in Kano which was signed by the House Leader, Tunde Akogun, they expressed regrets that for so long, major stakeholders have been kept in the dark on issues affecting budget preparation and implementation. He emphasized that "*at present, there is no proper consultation of broad spectrum of stakeholders in preparation and implementation of the budget. This is clearly why the budget is usually implemented selectively. Therefore, there is the need to determine all assumptions and benchmarks in relation to the budget, including target setting and assessment of previous targets*". They went ahead to suggest that there is the need of National Assembly Budget Office to be established for collation of figures on all indices that have to do with budget matters.

The legislature has also complained that the problem of poor implementation is not restricted to the budget alone, but also with the Millennium Development Goals (MDGs) for which an implementation level of 20 percent in quick win projects has been recorded. The above is to emphasise and highlight on the problems encountered in budget preparation and implementations in Nigeria - a developing nation.

As earlier stated, budget implementation is not simply a matter of executing the approved budget. In most countries, the implemented budget varies from the adopted one depending on the country's fiscal conditions, stability and the certainty in the country's finances, the role of the finance ministry and the type of budget system under operation. The spending units are thus provided with more flexibility in implementing their budgets.

Stripped of all technicalities, implementation problem in most developing nations is the problem of widening gap between intentions and results. Honadle (1979) likened the budget implementation problem to that of social carpenters and masons who fail to build to specifications, and thus distort the beautiful blue print. He was equating budget with a building plan. The situation as seen by Honadle unfortunately is what goes on in most developing countries, Nigeria inclusive.

Egonmwan (1971) on his own sees implementation in these countries as the graveyard of policy (budget) where the intentions of the policy formulators are often undermined by constellation of powerful forces of politics and administration in cooperation with people. *Little attention is given to the subject of budget implementation by policy decision makers while it is often taken for granted that once a budget is adopted by government, it must be implemented and desired goals achieved.* The above lapse has often resulted in poor budget implementation which in effect, gives rise to implementation gap. There is budget failure when there is a sizeable gap between a policy decision and its implementation. Such implementation gap always leads to the rich getting richer and the poor getting poorer in spite of stated policy goal to the contrary. Egonmwam (1991) says that implementation gap manifests in the “widening of the distance between stated policy goals and the realization of such planned goals”.

It is possible to execute badly a well-formulated budget but it is not possible to execute well a badly formulated budget. However, budget execution is more than simply assuming compliance with the initial budget. It must also adapt to intervening changes, and promote operational efficiency. A procedure for control is needed, but should not hamper efficiency nor lead to altering the composition of the budget. The controls must focus on what is essential while given flexibility to spending agencies in implementing their programs. Some causes of implementation gap are discussed hereunder.

Implementation Gap in Budget Implementation

The problem with budget implementation in Nigeria can be traced to the following factors: Nigeria’s monoculture economy, deficit budgeting, delayed passages of the budget by the legislature and ineffective oversight by the National Assembly. Others are late budget releases by the relevant authorities such as the Federal Ministry of Finance, Office of Accountant-General of the Federation as well as the Central Bank of Nigeria and of course the Corruption endemic.

There could be implementation gap as result of many other factors, which could arise from the budget policy itself, the budget maker(s), the budget implementers or the environment in which the budget policy has been made. Implementation gap arises from the budget itself when such budget emanates from the government rather than from the target groups. By this, it means that the planning is top-down. And by implication, the target beneficiaries are not allowed to contribute to the formulation of the policies that affect their lives. This is what usually happens in most developing nations as witnessed in the case of Better Life Programme (BLP) of Late Mrs. Mariam Babangida and the Family Support Programme (FSP) of Mrs. Mariam Abacha. The two programmes failed to involve the target beneficiaries- rural women and the family in the planning stage. This resulted in the lack of participatory system, thus led to implementation gap.

Failure of the policy (budget) makers to take into consideration the social, political, economic and administrative variables when analysing for budget formulation is another cause of implementation gap. Cognisance is supposed to be given to a homogeneously dominated zone during the budget formulation stage. That is true to say that a budget formulator is supposed to consider the socio-cultural, political, and economic variables of the people in budget formulations. This is to avoid the implementation problems that will be inherent in executing a budget in a total alienated environment or society. A budget policy that runs contrary to the manifesto of the government in power is also bound to suffer implementation problem because it may lack the necessary financial and administrative supports. Economic support is also needed to avoid implementation gap.

Bribery and Corruption is another serious problem that leads to implementation gap in developing nations. Nigeria's case is outstanding in this regard. Implementation problem comes in this regard when huge amounts of money are earmarked for a project but the officers in charge of implementation steal such amount or a substantial part of the amounts. The Guardian of August 3, 1993 cited in Orewa (1997) contained an allegation, for example, on the Nigerian National Petroleum Corporation (NNPC) that they inflated the cost of tankers bought for the corporation by N2.5 million. That was just one of the hundreds if not thousands of inflated contracts that occurs in government circles. In analyzing the Nigerian National Petroleum Corporation case, Orewa (1997) said "much as the idea of purchasing NNPC owned tankers is desirable, the NNPC has not denied the allegation by Chief Martin Ikediashi in the Guardian of August 3, 1993 that corporation is buying the tankers at N6.5 million as against the factory price at Leventis, Anamco, and Incar Motors at just N4 or N4.5 million". Thus, rather than save money for the corporation (the intention of the policy to purchase owned tankers), the corrupt practices only succeeded in impoverishing the corporation contrary to the expected result of the policy.

Abandonment of projects is also another cankerworm causing the implementation problems. Original projects are abandoned without convincing reasons, thus distorts the original plan. The Better Life Programme of Late Mrs. Babangida was later abandoned by Mrs. Mariam Abacha for her own Family Support Programme even when the two programs seem to share the same idea or focus. Thus, the ego of our leaders and frequent changes in regimes occasioned by elongated era of military leadership brings about a very wide implementation gap in our budget/policy implementation.

Egonmwam (1984) identified some other problems that affect policy implementation in developing nations. Among them are:- Inadequate definition of goals, over-ambitious policy goals and choice of inappropriate organizational structure in implementation of policies.

Inadequate definition of goals makes a policy lack clarity, internal consistency, and compatibility with other policy goals with the result that the successful implementation of such budget policy becomes a problem. This is a problem of communication. Goal definition varies in developing countries because people disagree about the objectives of a given program because people do not care to define such objectives because the objectives are not to their advantages (Egonmwam, 1984:242).

With regard to over-ambition in policy formulation in developing countries like Nigeria, many policies tend to be over-ambitious, sweeping and fundamental in nature. This is as a result of some of those countries being influenced by special conditions from international agencies that affect how programs and policy goals are decided. The enormity of human and physical needs in poor countries, the desire to establish legitimacy, and desire to improve conditions and the feelings that the deprivations of the colonial past must be obliterated, create a situation in which political leaders are likely to formulate policies that will lead to radical and rapid improvement in the conditions of life (Egonmwam, 1984).

Some of the common problems also encountered in implementing the budget of developing countries are summarised below:

1. The approved budget is unrealistic, so actual spending must be less than authorized.
2. Extreme uncertainty concerning available resources, with quarterly or monthly allotments.
3. Extra-budgetary funds outside the budget process, hoarded by spending unit.
4. Significant arrears that is not included in financial statements.
5. Over optimistic implementation schedules.
6. Significant discrepancy between actual and reported expenditure for certain activities.
7. Funds diverted to unauthorized purposes or private accounts.

8. Delayed publication of financial statements.
9. Debt servicing of foreign aids obtained from international agencies.

Overcoming the Implementation Problems of Budget

The problem with lack of robust implementation of budget could be identified right across the spectrum of activities leading up to budget approval, monitoring and implementation. This problem could be traced right from the selection of projects and programs to be included in the budget. What informs the taking of this decision? Ideally the content of the budget should be driven first and foremost by the content of the Medium Term Expenditure Framework. This is a sort of a three year rolling plan which imbues the budget process with the required focus so that projects that have an implementation cycle beyond a fiscal year are not forgotten in the subsequent budget.

The budget details from the Presidency to the Legislature must be sent in good time to allow time for the discussions and negotiations that would eventually result into an approved budget. It is recommended that Legislature is carried along during budget articulation process. These are to ensure that budgets are ready for implementation commencing from the first day of the year.

Budgeting is very vital and must be approached with all sense of diligence in the developing economies. The rate of economic development in the third world countries has been relatively slow and it needs to be accelerated. It must be emphasized that for effective and efficient budget implementation to be achieved, the right “budget basics”, strategy, and managerial accountability has to be in place. The basics here may be summerised as follows:

- (a). A realistic budget that is implemented with few significant derivations from plan.
- (b). Low level of corruption in public expenditures.
- (c). High transparency in public finance.
- (d). Public funds spent for authorized public purposes.
- (e). Reliable external and/or internal control.
- (f). Spending units have reasonable certainty as to the funds that will be available.
- (g). A managerial culture that promotes compliance with formal rules.

The right strategy needed to get a successful budgetary process which is caped by problem-free implementation is also necessary. The right strategy will among other things be necessary because of the following reasons:-

- i. Basic reforms are likely to yield the greatest payoff in budget improvement.
- ii. Best practices should be long-term objectives and not short-term priorities.
- iii. Good ideas often fail because of bad strategy.
- iv. Reforms should build on existing institutions; they should not seek to imitate other countries.
- v. Political support is a precondition for effective reforms.
- vi. Reform must be a continuous process, not a one-time fix.

Getting the budget sequence right is also essential for successful implementation.

The managerial accountability needed to achieve a successful implementation may be summerised as follows:

- (a). Single budget for all operating costs.
- (b). Agencies have broad discretion in using funds.
- (c). Agencies may be permitted to carry over unused funds to next year.
- (d). Budgets are based on outputs/ results.
- (e). Use of performance measures throughout the budget process.
- (f). Actual performance compared to targets.

- (g). Shift to accrual accounting and budgeting.
- (h). Agencies produce audited financial statements.

Conclusions

In all our discussions, we have been trying to explain why government budget policies go wrong at the implementation stage, especially in developing countries like Nigeria. In as much as we do not want to leave the impression that budget implementations in these countries is always a failure, the discussions was done to x-ray areas that need improvement.

Summarily, budget implementation should be reviewed periodically to ensure that programs are implemented effectively and to identify any financial or policy slip-ups, but this has not been the case with the developing countries. The review of budget implementation should cover financial, physical and other performance indicators. A comprehensive midterm review of the implementation of the budget is thus required, while the financial implementation of the budget should be reviewed monthly.

Recommendations

To bridge the gap between intention of a budget and the actual achievement of the budget policy, consideration should also be given to the following:-

1. All the parties concerned especially the target beneficiaries should be involved at the formulation stage to have all input accommodated. This will go a long way in providing the needed commitment by all parties who will see the budget as originating from them.
2. Adequate information systems recording transaction at each stage of the expenditure cycle, and appropriate communication between the budget implementers and the target beneficiaries are also needed.
3. Once a policy is found to be useful to the people, the commitment of all concerned should be registered, to ensure that change in the administration or government will not lead to project abandonment.
4. All resources- human and material resources should be properly galvanized, and improved upon to be able to achieve a problem free implementation.

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