PUBLIC SECTOR/EXPENDITURE REFORMS AND DEVELOPMENT IN NIGERIA

https://doi.org/10.47743/jopafl-2022-24-17

Ugo Chuks OKOLIE
Department of Political Science, Delta State University,
Abraka, Nigeria
ugookolie3@gmail.com

Abstract: *This paper reviews Nigeria's experience with economic reforms and outlines major policy measures that have been implemented. The paper also addresses three main issues in the public sector of the Nigeria economy, namely, problems in the management of public expenditure, constraints in the implementation of policy reforms to overcome the management problems and prospects of successful implementation of policy reforms, it concludes that given the level of performance of the reform effort, its success may depend on the reform of the public sector financial reporting system by adopting an accounting system that is suitable for measuring performance.*
Keywords: *Public Sector Reforms, Public Expenditure Management, Responsibility Accounting, Development*
JEL Classification: *E24, M5, E53*

Introduction

The second tenure of the administration of former president Olusegun Obasanjo witnessed the beginning of a comprehensive reform programme meant to strengthen economic development and improve the welfare of Nigeria citizens. The economic management reform, which is an integrated package of various economic reforms, started in 2004. The reform programme was based on the National economic empowerment and Development Strategy (NEEDS). NEEDS is a home grown' economic development strategy which focused on four main areas: improving the macro-economic environment pursuing structural reforms, strengthening public expenditure management, and implementing institutional and governance reforms (Okonjo-Iweala & Osafo-Kwaako, 2007). The implementation of the comprehensive economic reform programme is in four main areas: macroeconomic reforms; structural reforms governance and institutional reforms, and public sector reforms. The development of NEEDS at the federal level was complemented by individual state economic empowerment and development strategies (SEEDS), which were prepared by all 36 Nigerian states and the Federal capital territory (FCT). The NEEDS programme emphasized the importance of private sector development to support wealth creation, poverty reduction in the country; diversification of the economy; 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. It is evident in the literature that the nature of budgeting is determined by the roles it performs. As noted by McNab and Melese (2003), a typical budget performs three different functions, namely: planning functions, 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). Thus, as observed by Wall (2001), public sector managers rationally respond to 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 in Nigeria.

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 decision makers that the budgetary system needs to be reformed. In addition, designing the institutions and procedural changes required is not equally difficult. The real constraint to budgetary reforms in Nigeria is the human factor in institutional change. Enough attention has not been paid to this agent of change Adebayo (1969) 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, stability and national interest. This has hampered the development of effective, development-oriented fiscal system. Rather, it has been an instrument of national conflict (Ademoklekun, 1983). Jaja (2000) identified inflexibility, improper coordination of budgetary process and proliferation of offices responsible for budgeting, non-professionalization of the system and government disregard for fiscal regulations, as the problem confronting Nigeria's public expenditure management system (PEM). Generally, Ukwu (2003) summarized the weakness of PEM in Nigeria as:

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

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. The Fiscal Responsibility Bill was passed into law on July 30, 2007 by President Umaru Musa Yar'Adua and thus became an Act. The Act is to provide framework for the implementation of public sector reforms started by the Obasanjo administration. The act, which introduced the medium term expenditure framework (MTEF) and the medium term sector strategies (MTSS) budgeting approach, is also expected to strengthen Nigeria's economic growth and development.

Public Sector Reforms

Weaknesses in budget implementation and monitoring have always resulted in low quality of government expenditures and many incomplete projects in Nigeria. The federal government of Nigeria under former president Olusegun Obasanjo embarked on far-reaching economic reforms designed to deliver sustainable economic growth, wealth creation and improve the quality of life of the Nigerian citizen. Various Nigerian governments had in the past, initiated economic policies and reforms that were supposed to address the economic problems confronting Nigeria; but most, if not all, failed. Some of such reforms include the under listed.

- The Economic Stabilization Act of 1982;
- Austerity Programme of 1984;
- Emergency Measures of 1985; and
- Structure Adjustment Programme of 1986.

In a bid to find solution to the poor economic management situation and other developmental challenges, the Obasanjo administration embarked on economic reforms. In pursuit of this, a number of sectoral reforms were package for implementation, the office of the honourable minister, economic matters (2000) records the following as some of the objectives of the various economic reforms, especially those of the Obasanjo regime:

i) Curtailing excessive and extra-budgetary spending by government;
ii) Adopting measures to achieve fiscal prudence, transparency, minimal deficits, and efficient resources use;
iii) Establishing prudence and stability in macroeconomic management.

The same source, commenting on the performances of the above economic reforms, asserts that "their implementation suffered many weaknesses and consequently had negligible effects on the poverty situation". The consequences of these developments on economic and social activities, the sources continue "were severe …. And it was no surprise that the poverty situation worsened, with the number of Nigerians in the poverty range rising from 39.2 million in 1992 to 671 million in 1996 to over 100 million Nigeria living below poverty line (Osinbajo, 2015). Part of the reason for this failure includes non-integration of a corresponding system with fiscal policies. This is because it may be difficult for a fiscal policy to yield intended objective without a commensurate accounting system to ensure efficiency, transparency, probity and accountability. Therefore, strengthening the budget preparation and execution process was urgently needed in order to improve the efficiency of government spending and improve service delivery to the Nigeria public (Okonjo-Iweala & Osafo-Kwaako, 2007).

A bane of Nigeria's existence since the oil boom of the 1970s had been the reputation for corruption, largely justified, but also partly the result of perception. Corruption and poor governance affected growth and public service delivery in Nigeria in various ways. Corruption distorts the climate for doing business and serves as a tax on private investments. In a corrupt environment, resources for human capital and other needed investments, such as in infrastructure, health and education are often diverted. There are various ways in which this may occur, including procurement fraud, patronage for access to services, absenteeism and misuse of facilities. In particular, poor households are disproportionately hurt in communities where corruption is most prevalent. A key tenant of the reform programme, therefore, was to prioritize anti-corruption measures as a central component of the reforms.

Tackling corruption under the recent economic reforms required two main elements: first, embedding anti-corruption measures in a comprehensive reform programme and second, conducting diagnostic studies to identify, specific areas in which corruption had a high negative impact on the public purse. By embedding anti-corruption programmes in the reform agenda, the battle against corruption was perceived to be an integral part of a broader exercise of economic reform needed to stimulate growth and address poverty in Nigeria, identifying areas of major corruption also enabled the administration to focus reform measures on high impact areas. As an example, public procurement in Nigeria was reviewed to determine the costs of corruption in government contracts. Although procurement fraud tends to be one of the most common avenues of corruption in most countries, its incidence in Nigeria was particularly severe. A federal government survey noted that prior to 1999 the government lost an average of about N40 billion (US & 300 million) each year from corrupt practices in public procurement, this occurred in various forms: inflation of contract costs, award of contract for non-existent project, over-invoicing, diversion of public funds to foreign banks, and low project quality because of the use of inexperienced contractors. Moreover, procurement cost in Nigeria was significantly higher with costs for similar project in neighboring countries such as Ghana and South Africa. The policy measure and progress made in four areas of governance reform, namely: public procurement, public expenditure management, the oil and gas sector, and the prosecution of corrupt practices are examined below:

Public Procurement: Following an extensive review of public procurement system, the government introduced a value for money audit, or due process mechanism in public contracts, the due process mechanism has promoted an open tenders process with competitive bidding for government contracts. Any projects exceeding N50 million (US & 400,000) also require approval (i.e a due process certification). To ensure competitive costing of contracts, a database of international prices was developed (from bonafide internet sources) to serve as a guide during the bidding process. The government also publishes a public tender's journal periodically as a means of reducing patronage in the award of contracts; finally, certification of completed government projects is also required before final payments are made (Okonjo-Iweala & Osafo Kwaako, 2007).

With the introduction of the due process mechanism, there has been a notable improvement in the efficiency of capital spending. Further, initial prices quoted by various government contractors have also declined significantly, the due process reforms, one of the most hated and resisted in the comprehensive reform package, has also been one of the most successful, bringing more sanity, transparency, and competition into a previously opaque area (Okonjo-Iweala & Osafo-Kwaako, 2007). Public expenditure management: poor public expenditure management in Nigeria greatly hampered the quality of government capital projects, resulting in poor service delivery to citizens. The Nigeria's PEM system under Obasanjo's administration was founded on the same philosophy and principles that guided that of his predecessors (Akpobash, 2004; Apampa & Tunde, 2005). 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 thing were treated with military dispatch under the military.

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. These include allocations based on the principles of needs, 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' "Due process PEM" has been guided by and has continued to battle with the crises of fiscal federalism structure by the derivation principle. The entire PEM equally lack in built adjustment process. Oversight of public expenditures was further made difficult due to fiscal decentralization in Nigeria, which allocated about half of total government revenues to states and local governments, with the remainder being allocated to the federal government. While increased resource allocation to states and local governments may potentially encourage more direct interventions in pro-poor programmes, capacity constrains and the lack of transparency at the sub-national level posed serious challenges.

To improve transparency at all levels of government, but particularly the sub-national level, a monthly publication of federal, state, and local government shares of revenue from the country's federation account was introduced in January 2004. The publication provides details of revenue allocations to all 36 state governments and the federal capital territory (FCT), as well as 774 local governments. The publication has increased transparency, particularly of sub-national finances, and opened up dialogue on public revenues and expenditures at all tiers of government.

The Oil and gas sector and the N-EITI initiative: The lack of transparency in the Nigerian oil and gas sector, particularly under previous military administrations, also presented major challenges for economic governance. In 2003, Nigeria was among the first countries to adopt the extractive industries transparency initiative (EITI) to help improve governance of the sector. One of the key acts of the EITI aimed at improving transparency was to commission an independent audit of the oil and gas sector from 1999 to 2004. This was an unprecedented exercise domestically, and Nigeria was the first country in the EITI initiative to commit to such an undertaking.

The audit presented a number of instructive feelings. Overall, 99.8 percent of revenues in the sector were accounted for about 0.02 percent of aggregate revenue was unaccounted for, although this remains within the conventional margin of error for such audits (Okonj-Iweala & Osafo-Kwaako, 2007). However, the audit showed a history of poor data keeping. In the financial audit only minor disparities were observed between revenues that oil companies reported as paid and the actual amounts received by the central bank. Coordination among government agencies was however found to be weak and government data-keeping was also poor such that reported revenues fluctuated: in some years reported income exceeded what the central bank received while in other years the reverse occurred. A physical audit also pointed to the systematic loss of crude oil between the wellhead and export metering terminals. Poor metering infrastructure also hampered proper data collection on gross volumes. Finally, the audit highlighted some concerns with the discretionary powers of the petroleum minister in oil block allocation arising from the petroleum Act of 1969. The findings of the study were subsequently disseminated to the public while various remediation measures are currently being implemented by the government.

Prosecuting corrupt practices: finally, the government also introduced two institutions to tackle corruption in the domestic business environment, the economic and financial crimes commission (EFCC) and the independent corruption practices and other related offense commission (ICPC) are pursuing cases of corrupt practices such as internet fraud and corruption in public office, there have been a member of high profile convictions: many advance fee fraud (‘419’) kingpins have been denied, two judges have been sacked and two others suspended, several legislators (including a past senate president) have lost their legislative posts and are being prosecuted, three ministers have been dismissed a former inspector general of police- the top law enforcement official in the country has been tried, convicted and jailed for corruption, and three former state governors have been impeached by their state assemblies for corruption (Okonjo-Iweala & Osafo-Kwaako, 2007).

EFCC investigations have made good use of the monthly revenue share publications mentioned above, highlighting the importance of information and transparency in the fight against corruption. The EFCC and ICPC are gradually making effort in removing the concept of the untouchable “big man” in Nigeria and in re-establishing the rule of law for all. Overall, about 350 EFCC cases are at an advanced stage of prosecution. About 5,000 people have been arrested over the past three years. There have been about 91 convictions for various corruption crimes and assets worth over $5billion have been seized, confiscated and refunded to the state and various victims of crime (Okonjo-Iweala & Osafo-Kwaako, 2007).

Despite existing challenges, recent government reforms appear to have yielded some concrete results. Recent survey data from Kaufman (2005) in Okonjo-Iweala and Osafo-Kwaaka (2007), indicate that there has been a reduction in the perception of corruption by Nigerian firms in obtaining trade permits, in paying taxes, in procurement, in the judiciary, in the leakage of public funds, and in money laundering.

Current challenges

Despite recent successes, Nigeria faces many challenges in sustaining economic growth and improving its broad development indicators. An historic opportunity exists for Nigerian policy makers to consolidate recent gains from reform and to address outstanding areas of reform in the future. Below are the key issues that Nigerian policy makers must address in future:

External Reforms to the Sub-National Levels: Thus far, the economic programme discussed in this paper has been implemented at the federal level. State government adopted various states Economic Empowerment and Development Strategies (SEEDS) together with the NEEDS programme implemented by the federal government. However, only a handful of states have adopted far-reaching economic reforms. Fiscal decentralization in Nigeria implies that state and local governments are responsible for nearly half of consolidated government expenditures. They also posed significant independence in their expenditure decisions, which are supposed to be targeted at the delivery of social services (such as in health and education). However, corruption, low capacity, and weak institutions at the sub-national level, hinder their ability to design and implement appropriate public policies. It is particularly important for state government to improve budget transparency, to strengthen public expenditure management, to adopt the due processs mechanism and to focus on sectoral growth `strategies. By extending reforms to the state level, the impact of the recent reform programme could be doubled (Okonjo-Iweala& Osafo-Kwaako, 2007).

Focus on Non-oil Growth and Employment Generation: The recent economic reform programme has stressed the importance of macro-economic stabilization and structural reforms, and much of this has been largely achieved. A second phase of reform must move from the macro to micro and implement various sectoral growth strategies. As Nigeria's oil sector exists as an enclave, emphasis must be placed on non-oil growth, which is needed for employment generation and poverty reduction. Although non-oil growth has been strong in recent years, the benefits of reform to ordinary Nigerians would remain limited unless growth is sustained, and also derived from sectors with high poverty-reducing impacts such as agriculture. Some sectoral reform programmes have begun in areas such as agriculture and solid minerals, and are already yielding modest results. However, more extensive sectoral strategies that address bottlenecks, such as access to financing, availability on inputs and technology and skills are urgently required. A number of non-oil sectors (including Agriculture, solid minerals mining, construction, tourism, cultural and entertainment services) could experience high growth if such bottlenecks were addressed. In addition, a future administration should also consider improving access to financing, particularly for young entrepreneurs, by introducing various innovative schemes such as venture capital and microfinance funds. The current high level of youth unemployment and underemployment in Nigeria is partly because access to financing is particularly difficult for small business and start-ups. By introducing targeted innovative financing schemes, this constraint could be partly addressed.

Improve the Domestic Business Climate: An uncoordinated and bureaucratic regulatory procedure often hinders private sector activities in Nigeria. The annual /FC/ World Bank Doing Business Survey identifies regulatory issues that affect the investment climate in various countries. The report examines various regulatory issues such as the time taken to start and close a business, the effectiveness of property registration, and the ease of obtaining licenses. Nigeria's performance in the survey rankings increased marginally from 109 out of 175 countries in 2005 to 108 out of 175 countries in 2006 and this may partly reflect limitations in obtaining more recent data. However, the business climate studies provide useful lessons and insight for policy makers in reforming countries. Recent efforts to establish a one-stop-shop investment centre and harmonize tax policies at the federal and state levels reflect the government's commitment. However, additional challenges remain, such as computerizing land registration titles in various states, accelerating customs and increasing the efficiency of the judicial system. Improving the domestic climate for doing business must remain a priority for Nigerian policy makers.

Expand and Maintain Investments in Infrastructure: The existing poor domestic infrastructure imposes large transaction costs on businesses and reduces the competitiveness of the Nigerian private sector. Major infrastructural bottlenecks exist in areas such as power, road and rail transportation, and ports. To address the infrastructure bottleneck in Nigeria, any future administration must focus on three main issues. First, it is important to increase the quantity of the governments infrastructure spending. Although they have been recent investments in infrastructure notably in power, roads and railways, Nigeria's current dearth of infrastructure implies that additional investments are needed in the medium term. In particular, progress must be maintained in implementing the federal government's power master plan and in the short-term, achieving the target of generating 20,000 megawatts of power in the country by the end of 2020. Second, the federal government must work more closely with state governments to jointly finance infrastructure programmes. This may be particularly important in developing large-scale projects (for example, and irrigation dam), which may benefit a group of states, but may be too costly to be financed by a single state. Thirds private investments in infrastructure must be encouraged complementing the government's efforts. Any future administration must continue to promote public- private partnerships (PPP) in infrastructure projects such as power plants, toll roads and bridges. The infrastructure concession regulatory Act that was passed in November 2005 provides an appropriate legal framework for such partnerships. PPPs may be structured in diverse ways such as: the BOT (Build-Operate-and-Transfer), BOOT (Build-Own-Operate-and-Transfer), and the ROT (Rehabilitate-Operate- and –Transfer).

Strengthen Domestic Institutions: Ultimately, Nigeria's central challenge is one of building strong domestic institutions to support long-term growth and development. Following the work of Douglas North, economists have recognized the importance of strong institutions in supporting economic development. More recently, Rodrik, Acemoglu, and others have stressed the importance of institutions in explaining cross –country growth differences among developing countries (Rodrik, 2003; Acemoglu, 2001). Satyanath and Subramanian (2004) similarly note the importance of domestic institutions in supporting disciplined monetary policy and ensuring macroeconomic stability. When domestic institutions are strong and functional, day-to-day political configurations are less important for private sector investment decisions. It is essential that policy makers in Nigeria (now and in the future) focus on improving the effectiveness of domestic institutions.

Tackle Unrest in the Niger Delta: Unrest in the Niger Delta remains an important challenge for policy makers now and in the future. After 60 years of oil exploitation in the Delta, widespread poverty remains in the region, causing discontent and the breakdown of social capital. In a sense, residents of the Delta have been let down by their governments and oil companies alike. It is, however, important to separate the genuine concerns of Niger Delta residents from those of criminal gangs exploiting the prevailing situation. For example, vandalization of oil pipelines by militants is a counterproductive exercise. By disrupting total exports of crude, there is less revenue earned for the nation and consequently, less financial allocations to their states-the very situation which some militants claim they want to reverse. Kidnappings are also counterproductive, frightening away investment snot only from the oil sector but also from other potential sectors of the Nigerian economy.

The Federal Government is already supporting the Niger Delta with targeted investments by the Niger Delta Development Commission (NDDC), building a new university and supporting local schools and constructing the East-West high way linking various Niger Delta States. Youth employment opportunities are also being improved, with indigenes from the region being given preferential treatment for jobs in the military and police service. A broader long-term economic development programme is needed for the region; building on current efforts of the federal government such a programme must have two components. First, it must have a bottom-up strategy, and provide resources directly to local communities to enable them own, prioritize, and choose their social sector programmes. Second, the programme must stress skills training, employment generation and equity participation of local residents in the oil and gas sector. This is essential for long-term economic development and diversification in the Niger Delta region. An upward review of oil derivation revenues allocated to oil producing states may also be considered.

However, additional revenues must be provided directly to affected communities as discussed above, to support bottom-up development programmes.

Challenges of Implementing Public Sector Reforms

These are the same as for most other countries. Public service is known for the following characteristics among others:

i) Tradition of Administration Orientation

The tradition of administration in the public service means working by laid-down rules even when such rules have become obsolete and are no longer relevant (Okaroafor, 2015). These rules are usually handed down from the top without inputs from the lower cadre of the workforce. Expectedly, there is no motivation among the workforce to work towards ensuring achievement of any set goal, if any, as they are not part of the goal-setting and therefore, cannot relate with such a goal. Moreover, there is no incentive to be creative as the only reward to be expected from the system is to be able to retire with pension at the appropriate retirement age. The only way to ensure this is to stick to the rules.

ii) Principle of Anonymity

The public sector assigns authority but no responsibility. This feature makes it impossible to hold any person responsible for the non-achievement of set goal (Okoroafor, 2015).

iii) Cash-base Accounting System

The public sector has traditionally been known to be cash-based (Wynne, 2003). The cash system is well suited to the annual appropriations and revenue allocation systems found in public sector administration whose main focus is parliamentary accountability (Boothe, 2008). Besides the above mentioned characteristics, there are other factors which also pose serious challenges to the implementation of performance-based budgeting in the public service.

These include:

- The problem of resistance to change;
- Lack of skilled manpower;
- Lack of opportunities for entrepreneurship skills
- Putting the cart before the horse syndrome

The last of the afore-mentioned factors has led to so many projects being abandoned because the frameworks for implementation are not in place (Okoroafor, 2015).

Responsibility Accounting

Australia’s poor economic performance of the 1970s led to a reassessment of the role of the Australian public sector and its management (Ouda, 2004). The Australian public sector as suffering from the lack of a system of performance management, the absence of incentives to encourage greater-efficiency and the lack of competition as a pressure for improving performance (Mascarenhas, 1990). There was clamour for reform that should focus on improving efficiency, effectiveness, responsiveness and accountability. This led to the launch of the Financial Management Improvement Programme (FMIP) in 1984. FMIP was concerned as much with effectiveness as with efficiency. In fact, the major concern was to improve the links between programmes outcomes and the resources required for achieving them (Ouda, 2004).

The conditions that necessitated public sector accounting and budgeting systems reforms in Australia are no different from what obtains in Nigeria. statistics show that when the economic indicators in the Nigeria public sector for the past ten (10) year up to the year 2003 (before the commencement of the present public sector reform that necessitated the fiscal responsibility act 2007) are compared with those of subsequent years up to 2008, it does not seem to be much difference nor improvement. For example, the percentage increase of per capital income between 1994 and 2003 average 5.28% against those of annual expenditure which averages 23% for the same period (figures are results of calculations based on figure in table below)

Per capital GDP Growth from 1994 to 2008

Year	GDP (=N=Million)	Population	Per Capital GDP (=N=)	% Growth
1994	275450.53	96,763,496	2,847	(2.53)
1995	281407.4	99,501,903	2,828	(0.67)
1996	293745.36	102,317,807	2,871	1.52
1997	302022.54	105,213,401	2,871	0.00
1998	310890.6	108,190,940	2,874	0.10
1999	312183.47	11,252,744	2,806	2.37
2000	329178.71	114,401,196	2,877	2.53
2001	356994.26	117,638,750	2,010	30.14
2002	433203.5	120,967,927	3,581	78.16
2003	477532.99	125,620,213	3,801	6.14
2004	527576.3	129,175,262	4,084	7.45
2005	561931.4	132,830,925	4,256	3.57
2006	595821.61	104,003,542	4,256	0.61
2007	634251.1	144,483,655	4,390	3.15
2008	672202.55	149,107,132	4,508	2.69

Source: The figure for total federal government expenditures for the selected years has been extracted from the statistical Bulletin published by the central bank of Nigeria. The percentages have been generated by the researcher based on the expenditure figures for the selected years.

Table 3: Percentage Increase (Decrease) in Expenditure and Per Capital for Selected Years

Year	% Increase (Decreased) in Expenditure	% Increase (Decrease)
1994	(16)	(2.53)
1995	55	(0.67)
1996	36	1.52
1997	27	0.00
1998	14	0.10
1999	95	(2.37)
2000	(26)	2.53
2001	45	(30.14)
2002	0.01	78.16
2003	20.4	6.14
2004	16	7.45
2005	28	3.57
2006	6.5	0.61
2007	26	3.15
2008	32	2.69

Source: Researchers, 2020

The table above shows that the increased spending by the government has not brought about commensurate increase in the welfare of the people as represented by the percentage increases in the per capital GDP. The figure above shows that there is no relationship between expenditure levels and outputs and outcomes in the Nigerian economy: the economy has not recorded much improvement thereafter. The average percentage increases in per capital and federal government expenditure from 2004 to 2008 are 3.4% and 21.7% respectively. Indeed, whereas the annual expenditure increased by 26% in 2007 and 32% in 2008 against their respective previous years, the per capital GDP for the same periods increased marginally by 3.15% and 2.69% respectively. These statistics which are results of calculations based on figures in tables 1 and 2 shows that despite the marginal increase in welfare being far less than marginal increase in expenditure, there is actually a decline in welfare in 2008 in spite of the existence of the fiscal responsibility Act 2007. Inflation is also on the rise which is an indication that enough goods are available to meet demand. Also, there has not been much improvement in the quality and availability of healthcare delivery and services to the ordinary citizens.

Consequently, life expectancy of 54 years has indeed decline to 47 years according to World bank; and infant mortality rate of 114 per 1,000 live births has not recorded any appreciable improvement over the period in question, as it is still among the highest globally (central bank of Nigeria, 2008). These are evidences that the increases in budgetary allocations have not increased the welfare of the citizens nor have they translated to any appreciable improvement in the economic indices. And so it becomes obvious that more needs to be done so that the objectives of the economic and public sector reform can be achieved.

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 (Eze & Nnedum, 2013).

Contract award constitutes an infinitesimal aspect of budgetary practices. This 'Due processes' 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 Processes. 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 systematic mechanisms were consolidated under the 'Due processes'. It is equally pertinent to observe that the reform that is not holistic cannot transform the society (Eze & Nnedum, 2013). The PEM reforms failed to meet up with this standard. Furthermore, 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 programmers 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.

Conclusion

Viewed against the backdrop of its economic performance since the 1980s, Nigeria has clearly turned a corner. Owing to the recent programme has formed basis of a new non-borrowing instrument at the international monetary fund the policy support instrument (IMF, 2005). Public fiscal management is a tool that restructures, redirects and implements national development. The PEM reforms package did not provide any pre-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 reforms destroyed its potential to enhance national development. Nevertheless, by extending reforms to the state and local government levels, focusing on non-oil growth, improving the domestic business climate, increasing and maintaining infrastructure investments, strengthening domestic institutions, tackling current in the Niger Delta and increasing the quality of social sector spending, a progressive administration could place Nigeria on a path of sustained economic growth by 2020. The paper therefore recommends that, the reforms should be holistic, preserving the essential features of the old order and introduce pro-active incentive rewards for personnel that will adhere strictly to rules and procedures of improved performance.

References

1. Adebayo, A. (1969). Nigerian federal finance: Its development and comparative perspective. New York: Longman Group Ltd.
2. Ademolekun, L. (1983). Public administration: A Nigerian and comparative perceptive. New York: Longman Group Ltd.
3. Boothe, P. (2008). Accrual accounting in the public sector: Lessons for developing countries budgeting and budgetary institutions. Washington: The World Bank
4. Central bank of Nigeria, (2008). Statistic bulletin: Golden jubilee edition. Nigeria: Federal Republic of Nigeria.
5. Central Bank of Nigeria, (2006). Economic and financial review. Nigeria: Federal Republic of Nigeria
6. Central Bank of Nigeria, (2005). Statistic bulletin. Nigeria: Federal Republic of Nigeria
7. Diamond, J. (2001). Performance budgeting: Managing the reform process. Washington D.C: IMF, Fiscal Affairs Department

8. Eze, M.C & Nnedum, O.A (2013). Public expenditure management reforms and national development: A critical evaluation of Obasanjo's administration, 1999-2007. African Journal of Political Science and International Relations, 7(2), 42-51 https://doi.org/10.5897/AJPSIR08.009
9. Fiscal Responsibility Act, (2007). Statistic bulletin. Nigeria Federal Republic Nigeria.
10. IMF, (2005b). "Nigeria: Request for a two-year policy support instrument". Washington DC: International Monetary Fund.
11. Jaja, S.O. (2000): "History Budgeting and planning in Nigeria: lessons for the Fourth Republic" In Aja, A and Emeribe, A.C.(2000). Policy and contending issues in Nigeria. Nat Dev Strategy.
12. Mascarenhas, R. (1990). Reform of the public service in Australia and New Zealand" governance, January, 1991.
13. McCappery, J.L (1999). "Feature of the Budgeting process" In: Ron Meyers (ed.). Handbook of government budgeting. Sam Francisco: Jossey-Boss publishers.
14. McNab, R.M. & Melese, F. (2003) "implementing the GPRA: Examining the prospects for performance budgeting in the Federal government". Public Budgeting Finance, 23 (2), 73-95 https://doi.org/10.1111/1540-5850.2302006
15. Okonjo-Iweala, N. & Osafo-kwaaka, P. (2007). Nigeria's economic reforms: progress and challenges. Working paper N6. Washington DC: The Brookings Institute
16. Okoroafor, E.N. (2015). Challenges Ahead for Institutional implementation of performance-based Budgeting in the Nigeria Public Sector. Research Journal of Finance and Account, 6(4), 10-20
17. Ouda, H.A. (2004). "Basic requirements model for implementation of Accrual Accounting in the Public sector." Public Fund Digest 5(1), 78-99
18. Rodrik, D (2003). "Introduction: what do we learn from country narratives". In Search of Prosperity Princeton Princeton University Press
19. Satyanath, S & Subramanian, A. (2004). "What determines long-term macroeconomic stability? Democratic institutes" Working paper no 041, 215. Washington D.C: International monetary fund.
20. Ukwu, I.U., Obi. A.W. & Ukeje, S. (2003). Policy option for managing macroeconomic stability in Nigeria. Enugu: African Institute for Applied economic, August.
21. Wall, K. D. (2001). "The analysis of defense outlays: An example of cross sectional time series modeling" working paper. Monetary, C.A: Naval Postgraduate School.
22. World bank, (2003). "Nigeria policy options for growth and stability". Report no 26215- NGA, Washington D.C. The World Bank
23. World Bank, (2002). Public expenditure management handbook. Washington: D.C. The World Bank
24. Wynac, A. (2003). Is the move to accrual based accounting a real priority for public sector accounting? Public Fund Digest 6(1), 25-38.