

Undue elongation of the budget process has become a recurring theme in Nigeria. While the economic impact of such extensive delays may not have been empirically tested, it goes without saying that a time-based spending plan for the economy which starts late into its projected term would have adverse consequences on the economy as a whole and individual economic agents including the government. This edition of the NESG Brief attempts to troubleshoot Nigeria's budgeting processes in 2012 and 2013 by asking the following questions – What is flawed in our budgeting process? Why have we got it wrong so far? What are the implications of a delayed budget process? How can we get it right next time, next year and further on?

It takes about 4 months on average, to complete a budget process in Nigeria – from 'submission' to 'assent'. This was the conclusion of an analysis of the federal budgeting process in Nigeria between 2000 and 2012 (see Figure 1).¹

A summary of 2012 and 2013 budget processes In the case of the 2012 budget, a ₦4.75 trillion budget, assuming a benchmark oil price of US\$70 per barrel was submitted to the National Assembly. After four months (or 122 days), the legislature passed the budget, amending it slightly lower to ₦4.70 trillion budget but on a higher oil price benchmark of US\$72 per barrel. It was then passed into law, leaving effectively only an eight-month window for implementation in the fiscal year 2012.

Likewise in the case of the 2013 budget, a ₦4.92 trillion budget proposal, assuming a benchmark oil price of US\$75 per barrel was submitted to the National Assembly. After two months (or 71 days), the legislature passed the budget, reviewing it upwards to ₦4.99 trillion with a higher oil price benchmark of US\$79 per barrel. It was then passed into law, after an additional two months of 'studying' by the executive, leaving a ten-month window of implementation for the budget in fiscal year 2013.

The common thread in Nigeria's budget processes can be described as a "two-way review lag". From the 2012 and 2013 budget processes briefly described above, we find that there is a "constant review lag" to the yearly budget process in Nigeria, comprising of:

- 1) The "legislative review lag" which usually ends with significant amendments to the original budget proposal.
- 2) The "executive review lag" usually to understand the amendments made by the legislature, and either oppose or accept these changes before signing the budget into law.

What are the implications of a delayed budget process? During the 2013 budget presentation by the President, the National Assembly was quoted as saying that the budget proposals were "...mere estimates and not immutable figures."² Indeed Section 81 [1] of the 1999 Nigerian Constitution³ describes the budget as estimates, but this does not interpret as a freedom to amend the so-called estimates *ad libitum*; in as much as they go a long way to determine how the economy performs in any particular year.

A slow first quarter to every year Output data from the National Bureau of Statistics shows that quarterly real GDP growth rates were slowest in the first quarter of every year since 2008. Judging by the modal time at which the budgets were signed into law – usually in April (see Figure 2) – one may infer that delayed budget processes impact economic growth negatively.

Limited budget performance This is best explained in terms of the Federal Government's performance on the 2012 budget. We estimate that the government only achieved about 52.03%, when actual spending is compared as a percentage of the total capital spending plan. Such average performance, in our view, is partly attributable to a delayed budget which essentially narrows down the one-year implementation time frame in this case to seven months (or 10 months if you factor the extension to March 2013).

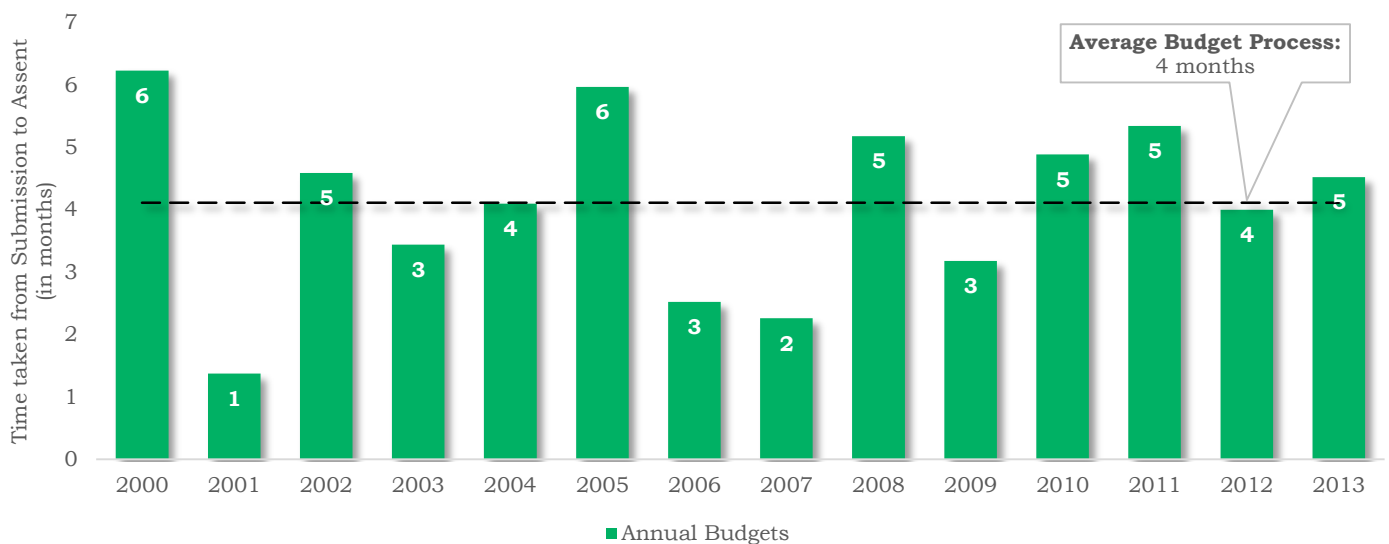
It is important to clarify that the government frequently quotes budget performance in terms of 'utilisation rates' which measures monies spent as a percentage of 'cash-backed' releases from the budget. This is a partial analysis in our view, which would typically result in a higher performance rate – for instance the 2012 budget utilisation rate would come to 92.8%.⁴



Economy-wide implications The economic performance of the country as a whole; the ability of government implement policies; as well as the ability of the real sector and private sector businesses to effectively plan and operate within the context of government’s policies and actions from year start to year end – are all greatly influenced by the timeliness (or otherwise) of the annual budget process.

Therefore, what is needed is an institutional culture of timely passage of the government spending plan with less contention and more objective scrutiny by the relevant arm of government. Perhaps a low hanging fruit, as it relates to the culture of timeliness, would be to specify a particular date/period of the year as “Budget Day” (as practiced in UK, Ireland and also Hong Kong). This for one would eliminate the vagueness of Section 81(1) of the 1999 Constitution which states that “The President shall cause to be prepared and laid before each House of the National Assembly **at any time** in each financial year estimates of the revenues and expenditure of the Federation for the next following financial year.”

Figure 1: Time Taken in Nigeria’s Annual Budget Processes (2000 – 2013)



Sources: Budget Office, Proshare Nigeria, National Assembly, Local newspapers, NESG Research.

Figure 2: Dates and Stages in Nigeria’s Annual Budget Process (2000 – 2013)

Budget	Submission	Passage	Assent	Time Taken (months)
2000	1-Nov-1999	28-Mar-2000	9-May-2000	6
2001	9-Nov-2000	n/a	21-Dec-2000	1
2002	7-Nov-2001	26-Mar-2002	27-Mar-2002	5
2003	20-Nov-2002	5-Mar-2003	5-Mar-2003	3
2004	18-Dec-2003	17-Mar-2004	21-Apr-2004	4
2005	12-Oct-2004	12-Apr-2005	12-Apr-2005	6
2006	6-Dec-2005	15-Feb-2006	22-Feb-2006	3
2007	11-Oct-2006	19-Dec-2006	19-Dec-2006	2
2008	8-Nov-2007	5-Feb-2008	14-Apr-2008	5
2009	3-Dec-2008	18-Feb-2009	10-Mar-2009	3
2010	24-Nov-2009	25-Mar-2010	22-Apr-2010	5
2011	15-Dec-2010	25-May-2011	27-May-2011	5
2012	13-Dec-2011	15-Mar-2012	13-Apr-2012	4
2013	11-Oct-2012	20-Dec-2012	26-Feb-2013	5

Sources: Budget Office, Proshare Nigeria, National Assembly, Local newspapers, NESG Research