Bullion

Volume 28
Number 2 *Policy Seminar on the 2004 Federal Government Budget*

Article 2

6-2004

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REVIEW AND APPRAISAL OF 2003 BUDGET AND ECONOMIC PERFORMANCE

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1. INTRODUCTION

It is important to begin a discussion of a national budget like this with the definition as understood by some of the important stakeholders. The first in this case is the national budget in the eyes of a typical Nigerian legislator, particularly of the federal hue. To him:

A national budget is an instrument of control of government expenditure by which resources are allocated in accordance with political considerations that emphasize individual benefit, not necessarily self.

This definition has only two major flaws, including:

- Inadequate consideration of the future stream of revenue; and
- Weak emphasis of the 'greatest good of the largest majority'.

A national budget is a tripod, consisting of three main considerations: revenue, expenditure, strategy including objectives, programmes and policy.

At the level of government, periscoping what one sees as the position of the Nigerian government of today, a national budget is the estimating of revenue and deciding on an expenditure plan complete with objectives, projects and policy, with safeguards to prevent political undercurrent.

It is obvious that this definition looks like the obverse of the one that dominates the psyche of the legislator. Two major problems can be identified too:

- Too much emphasis on projects rather than programmes; and
- The mindset to keep politics out of its socio-economic policies, choices and objectives, even though this is critical. A budget is a consensus document of government and the legislator representing the people.

Without any attempt to confuse, we must add yet a third definition, the last but not the least important, the view of a typical third world central bank, in this case the Central Bank of Nigeria (CBN). As you know the CBN is the authority for managing the monetary, credit and exchange rate policies of the country including the external sector. The CBN, in its monetary, credit, foreign trade and exchange policy guidelines for fiscal 2002/2003 states, among other things:

"The primary role of monetary policy in 2002/2003 is the achievement of price and exchange rate stability.....to subdue inflation to a single digit over the two-year period,"[1]

Considering pre 2003 situation of a two-digit inflation rate, this indeed is a laud-

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-able objective. Yet one cannot but ask the question whether the CBN could not be more precise by locating its objective, at least within a bound. Even then one would also ask whether such a bound has been generated from the macro-economic interrelationships of the economy. In other words, to what extent does the CBN position synchronize with the governments macro-economic goals and objectives, in real quantitative terms?

Needless to state that the expectation of the people is clear and can be summarized, by and large, as "security and life more abundant". In that wise, the national budget is one that:

"Reduces poverty considerably and makes the future more secure"[2]

Certainly, this can not be adequately located within the individualistic view of the budget by legislators, the scientific project based view of the national budget of the government and the imprecise monetarist view of the national budget by the CBN.

We review the 2003 budget looking at these considerations and wonder whether there has been a cohesion in government consisting of the legislature, the executive and its monetary institution, leaving out the judiciary for the purpose of this discussion. The following questions will be asked:

- How relevant were the people in the monitoring of budget execution and control and to what extent is consultation the focus of budget formulation?
- Other than sectoral considerations, were there enough programmes on the basis of which performance could be monitored.
- For example, by what percentage did poverty decline, was non-oil performance much better than before?, etc and
- To what extent were the views of the monetary authority respected and how effective was performance of the monetary authority in macroeconomic stability?

II BUDGET IMPLEMENTATION AND MANAGEMENT

The first set of problems in realizing the benefits of a national budget in Nigeria, the 2003 Federal Government Budget in particular, is the delay in formulation and presentation to the National Assembly. Consequently, the first quarter is usually gone before the appropriation bill is out of the National Assembly. In a situation whereby the National Assembly invariably tears the budget virtually apart before it comes out of its domain, unnecessary dislocation is already introduced into that budget regime. This was the case in 2003 as in previous years to the extent that the concept of a federal budget is losing its identity and importance as a major management tool of the economy. A product of the military incursion into governance, the situation makes the budget almost irrelevant and renders both government and legislature unaccountable to the people.

A number of consequences are already evident:

- Government expenditure loses its objective as government becomes more concerned with recurrent expenditure and less concerned with capital expenditure;
- Government expenditure focuses on no trajectory growth of the economy as everything becomes haphazard and therefore left to chance;

- Indeed, expenditure is subjected to the whims of any President who can argue that the budget is yet to be approved by the National Assembly;
- It lays the government open to excessive borrowing from the banking system since the necessary laws for generating revenue remain locked in the budget awaiting approval by the National Assembly, with dire consequences on private sector access to the banking system.
- The entire economy has to wait especially where government expenditure is the single most important avenue for business open to the private sector;
- Corruption strengthens its strangulation of the economy in a situation where it is already intractable; and
- Inability to tap or strengthen new sources of revenue through diversification of the economic base.

An economy experiencing these problems can be very difficult to manage as many important objectives of government slip in the process. Indeed, after the spectacular success in the privatization programme in the telecommunication subsector, government seems to have gone to sleep as nothing was hardly heard about privatization in 2003. Look at the list of achievable in 2003, including

"intensive and extensive infrastructural development, particularly in the areas of environment, potable water supply, telecommunications, airports, maritime port, railways, etc;, capitalization of the manufacturing sector, promotion of technology, particularly information and communication technology (ICT), bio-tech and space technology for ICT, and remote sensing etc..."[3]

Although, one can point to a number that were achieved or that substantively took off: telecommunication, ICT, space technology, the ports and maritime law, etc. The point one should note is that this government judging by its sincerity of purpose, is capable of achieving more than this by miles. The major problem remains managing the process for commencing implementation of budgets in good time, with little or no rancor with the National Assembly and developing the capacity for implementation, monitoring evaluation and sanctions.

III STRENGTHENING PROGRAMMING AS A BASIS OF BUDGETING FOR DEVELOPMENT

The ONLY obvious programme in the budget is the poverty reduction programme. Given the problems of the economy at this time when more than 60 per cent of the people suffer an endemic poverty, the government is right on target for articulating a poverty reduction programme. The only problem is that the strategy, given the weight of the problem, might have been misconstrued. Most people will argue justifiably that it deserves the affirmative action in our capital expenditure strategy rather than the current expenditure strategy it seems to adopt.

It is not enough to provide employment or supply a feeding escape that is not likely to last. Yet that continues to be the strategy of the current programme. Even when the problem is solved by way of small and medium enterprises (SME), that only addresses by and large those who have been thrown out of jobs, people with or without skills and suffering from frictional unemployment. They are adults with some experience and can benefit from engaging in SME. But there is a multitude of school leavers who for more than 1-5 years have not been employed. A good number of them are unemployable for their education simply did not equip them with the skills in demand and those with skills in demand have no requisite experience. It is safe to argue that both classes of unemployed are significant in number. Yet there are no concrete identifiable programmes that can guarantee them long term employment.

Increase in capacity utilization of course, can hardly solve the latter kind of unemployment. A fresh school leaver without prior entrepreneurship education or business experience cannot achieve much with a business loan or grant. That will be an avenue for waste. We are seeing a lot of that. There must be a medium term programme to solve this kind of problem. Sectoral project approach has a limited reach in solving multi-sectoral problems. Government's space technology development can be looked at in a similar way, i.e as a space programme a la U.S. National Aeronautics and Space Administration (NASA) whose budgeting device requires a lot of scope, discipline, focus, grit, wit and enterprise and until we begin to adopt this approach, we risk growing at a single digit rate.

The process where budgets are not approved well into the first quarter encourages project by project approach to implementation and development. That will not take us far, at most 5 per cent growth rate. Government will have to watch its spending to keep it within limits permitted without National Assembly approval. This is not good for the country as this is the cause of the present budget malaise of little or no capital expenditure. Many important ministries or departments of government have not smelt capital expenditure for years.

It must be said that downsizing of government business is in vogue all over the world, even in China. In addition, that country has strived relentlessly to make its environment conducive to controlled foreign investment. Coupled with hard work, this explains the two-digit growth rate of that country. Downsizing should begin in earnest rather than maintaining departments or divisions in government that have no tools to work with or capital votes to generate output. Running empty cells in government is like pouring water into a basket. The budget process should not be so porous that any frivolous budget can go into it. It is also accepted that prioritization be applied on capital expenditure in the event of dwindling resources. The issue is simply that such curtailment should not be due to delay in budget approval by the National Assembly, necessitating whimsical control of capital expenditure in accordance with project by project implementation, preventing focus on programmes and sacrificing a high growth rate for the economy. This is what happened to the implementation of budget 2003.

Government should therefore re-examine its budgeting process by:

- Agreeing with the National Assembly on an appropriate time table for commencing budget implementation;
- Overhauling the budget process to ensure that certain divisions and departments of governments are not left idle due to lack of capital

expenditure;

- Early rationalization or re-organisation of government business to ensure that skills are not wasted in idleness;
- Targeting solution to problems in a cross-sectoral programme approach since problems are not solved through stand alone projects;
- An environment of growth and development that attracts multiple funding sources which the programme approach commands; and
- De-emphasizing antagonistic and encouraging collaborative budgeting process with the National Assembly.

IV BUDGET 2003 AND THE PEOPLE

Quite often, we hear about the budget being people centered and the 2003 budget performance calls for such evaluation. Any one will want to examine NAPEP, the poverty reduction programme of government as a cardinal programme of the National Economic Empowerment and Development Strategy (NEEDS). The programme (NAPEP) is hardly accountable to any one except the government that established it as the progress achieved in 2002 was hardly mentioned in the 2003 budget. It is this kind of stance that makes one wonder whether indeed there is any hope for the poor. For example 'NEEDS AT A GLANCE'[4] falls short of being able to meet the needs of the people simply because it contains no discernible programmes to achieve this, despite its laudable intentions. It adopts our usual pattern of drawing up the development plans of the 1960s and 1970s, before the economy finally crashed, starting in the 1980s. Focus is its problem, despite that fact, it is restricted to a few number of sectors: Agriculture, Roads, Education, Health, Water Resources and Power. What happens to other sectors? (see table 1). For example are we going to measure its success by the growth rate of the economy or certain internationally accepted development criteria? This is the issue.

To what extent has unemployment fallen? Will NEEDS impact on our longevity, will access to education and literacy-by-all apply? What about food security rather than just a high growth rate in agriculture? etc. Are we asking for just the usual high growth rates in gross domestic product (GDP), more hospital beds, higher enrolment in schools, high growth rate of the agricultural sector, or indeed dominance of the economy by the private sector? These indicators will not necessarily help to attain the goals of human development, food security, high longevity, universal adult literacy, in short the millennial goals. How government will get there via the NEEDS is what is yet to be addressed concretely.

Agriculture grew by an estimated 10 per cent in 2003 while capacity utilization in manufacturing inched to about 60 per cent on the average. Vital products like cassava and root crops in general, rice, cotton, etc led the growth in agriculture, thus making food cheaper. There was an evident presidential personal touch in this sector. But how far was the farmer's income boosted as a result? Take the case of cassava. Until that product's demand is widened from consumption to industrialization and export, farmers will only become poorer as a result. This was also addressed by the government and success seems to be in sight. However, this should not happen one after the other, but together. Only programme approach will help articulate that. Unemployment is also falling as a result of these developments even though the data are still not firm.

This progress was however overshadowed by poor development in infrastructure (physical, social and economic). One must here address a view that seems to be gaining acceptance at the federal level of government. A group of politicians are saying that human development of the people really belongs to the state and local governments since these are the tiers of government close to the people. While this cannot be denied, it must be said that the position can hardly absolve the federal government from that responsibility, improvement in the well-being of the people. This is because most of the sectors in reference are concurrent responsibility of the federal, state and the local governments. Besides, the federal government has a unique and legislative prerogative in a number of sectors and sub-sectors. For example, this is the case in security services, mineral exploration and production, etc. Indeed mineral production yield more than 90 per cent of revenue for all government and they are dominated exclusively by the federal government, even in the sharing formula. So what is the Federal Government supposed to use the money for, for self-aggrandizement and non-altruistic purposes? Such ideas must not be allowed to take root in our budget expenditure approach as all Nigerian governments have one, equal and sole responsibility to improve the well-being of the people, directly and indirectly, whichever way it goes.

Inflation is still in two digits, although at a lower level of 10-12 per cent, thanks to the phenomenal growth of the agricultural sector, which was at about 10 per cent. Inflation rate was a great improvement over 16.4 per cent attained in 2002. Yet poverty was still biting given the persistent increase in the price of petrol, causing difficulties in the transport sector. This culminated in the tax on petrol imposed by government but later withdrawn. This ostensibly was for the purpose of fixing bad roads and constructing new ones. Many groaned about the dilapidation of the roads and the absence of tarred roads to many rural areas.
Potable water and electricity supply still remain a luxury to many Nigerians but record is very scanty about the progress made and relevant government agencies such as CBN and Federal Office of Statistics (FOS) failed to report on these in their major data bulletins. This remains a problem of evaluating government's effort even when it is laudable in these sub-sectors.

Total expenditure (capital and recurrent) increased, especially in the first half of the year compared to 2002. But given the budgeting problems earlier enumerated, government could have performed better. Here we must draw attention to the stop-go problem of total government expenditure experienced since 1999. This situation no doubt has dealt incalculable harm to the Nigerian economy. In the first half of 2000, total expenditure fell by 33 per cent and rose by 77 per cent in the first half of 2001. This was to fall again in the first half of 2002 by 17 per cent, rising by 51 per cent in the first half of 2003. Although we have been comparing first half expenditures as reported by the CBN, it must be said that a well managed economy should not be run like this. It is an indication of a badly managed revenue accrual of government or budget expenditure of government. One of the problems of government is the vagary of oil revenue, always following the pattern of crude oil prices in the international market. Government is therefore advised to:

- Save any excess revenue accruing beyond the price of oil used in formulating the budget;
- Use part of this saving to augment revenue when the price of oil falls;
- Employ credible channels to forecast the price of oil;
- Expand rapidly Nigeria's economic base to move away from monoculturalism and embrace diversification;
- Improve the attractiveness of the Nigerian economy by encouraging programme approach to financing; and
- Make the economy more conducive to foreign direct investment whatever it takes and learn to manage the disadvantages.

Such stop-go government expenditure behaviour makes business planning a real hazard and the ruin of the people's well being. A national budget should be better organized.

There are other policies of government arising from the implementation of NEEDS about which the people are exasperated. This is not because the policies are bad but because the implementation is flawed. Take just few examples such as monetization of public sector workers' earnings, pension reform and housing. These are policies that affect mainly government own workers. What effect is this going to have on government revenue and will these policies lead to savings or they are just another way of reducing government responsibility to its workers? Evidence should show that these policies improve due process and enhance government value for money. People are still looking for this evidence. In the long run the people will want to see this effect in the improvement of general well-being and noticeable decline in corruption.

V. CO-ORDINATION OF ECONOMIC MANAGEMENT IN 2003

Where fiscal and monetary policies run in parallel lines and the legislature itself care less, the economy cannot be organized, let alone used to improve the well-being of the people. Very little is now heard about government intention to secure N150 billion from the capital market that made the round in 2003. This was a real scare in 2003, not because government was going to compete with the private sector in the capital market but because one wondered about which projects government was going to put the resources, if not for on-lending to the private sector. We have come to a point where government should restrict itself to the projects inaccessible to the private sector.

The target for deficit spending was pegged at a low rate of 2.5 per cent of gross domestic product (GDP)[5]. Even if this was attained, money supply (M2) soared beyond its target growth rate of 15 per cent to 21.2 per cent in the first half of the year and was expected to grow by 42 per cent the whole year. The exchange rate also worsened even though stable, moving from 120+ to 130+ to the dollar. What is not clear to observers is why government expenditure should continue to rise despite progress in:

- Privatisation;
- Redirection of public investment to maintenance of infrastructure;
- Establishment of due process;
- Value for money in government contracts and consequent savings;

- Establishment of graft commission ICPC; and
- Re-awakening of Code of Conduct Bureau.

Further steps can be suggested along the following lines:

- Faster rate of privatization, especially in the energy sector;
- Investment of the proceeds of privatization in capital projects dedicated to reducing poverty, through the private sector;
- Saving of the proceeds of privatization that cannot be so expended;
- Saving of the proceeds of loot recovery or expenditure on poverty reduction capital projects through the private sector;
- Re-examination of the concept of National Poverty Eradication Programme (NAPEP), emphasizing capital expenditure and generation of sustainable employment;
- Concerted effort to limit Government expenditure to resuscitating and improving physical, social and economic infrastructure; and
- Institutional and capacity building in support of the above.

VI. SUMMARY AND CONCLUSION

Budget 2003 contained the appropriate measures and policies but as we can see its implementation is the problem. We showed how this problem arose from the misunderstanding of the concept and role of a national budget by the major players government and the National Assembly and to a lesser extent the CBN.

- The implementation problem is exacerbated by the project rather than the programme concept of national budget;
- The CBN will need to be more independent, at a higher level of autonomy to ever play the appropriate role of ensuring macro-economic stability and development;
- Exchange rate of the naira to the dollar should not be allowed to encourage imports; rather it should encourage export; this approach should decide whether the naira should be depreciated or not;
- Special imports such as machines, technology, etc. Should be assisted through fiscal measures, some already in existence;
- The Tariff structure should follow a similar pattern while at the same time respecting international ECOWAS and AU agreements and pragmatically obeying the WTO;
- However, government must recognize that banning of certain imports will lead to a reduction of customs revenue and be prepared to make up the shortfall elsewhere.

NEEDS is a welcome idea but its goals will prove difficult to achieve because of the flaw in concept, based as it is on projects rather than programmes. For example, if the implementation in the medium term inconveniences the life of an average Nigerian, it becomes counter-productive. But if it factors in an improved well-being of the people in an expanded framework, the goals will be more attainable. For example, in selling government-owned houses as a project and displacing current occupants, a medium term programme of personal house ownership was needed. It will permit the sale of the houses to the highest bidder as one whole unit and will resettle the occupants by assisting them to build or buy houses elsewhere over a medium term period. There is no quick fix in sustainable development.

This failure in conceptual approach, in my view, is responsible, as another example, for increase in the output of cassava that at the same time threatens to impoverish the farmers. The price of garri continues to fall while a lot of cassava remains un-harvested. The need for export and industrial use of the product was not factored into the project of increasing cassava output. A programme of increasing farmers income would have envisaged that.

Thus, Budget 2003 was a success no doubt but the impact on the people was limited.

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3. See New Nigerian (2002); Obasanjo's 'Value for Money' 2003 Budget, Issue of 21st November, 2002, p.4

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5. See Central Bank of Nigeria (2003); Report for the first half of 2003, (Abuja: CBN).

Table 1: Monetary Policy Targets (Growth in %)

	Key Policy Target	2001	2002	2003
1	Broad Money (M2)	19.6	15.3	15.0
2	Narrow Money (M1)	4.2	12.4	13.8
3	Aggregate Credit to the Economy	109.3	57.9	25.7
4	Credit to Government	27.6	96.6	150.3
5	Credit to Private Sector	59.4	34.9	32.3
6	Inflation Rate	9.0	9.3	9.0
7	GDP	5.0	5.0	5.0

Table 2: Proposed Allocation of Federal Government Capital Budget among key priority sectors.

Sector	2004	2005	2006	2007
Agricultural and Rural Development	3	4	4	4
Roads (maintenance, rehabilitation and construction)	12	15	15	14
Education	8	8	9	10
Health	8	8	9	10
Water Resources	10	10	10	10
Power	16	15	13	12
Share of the Priority Sectors in Total Allocation	57	60	60	60
Others	43	40	40	40
Total	100	100	100	100

Source: Central Bank of Nigeria (2002)