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Mike Kwanashie
Nigerian Economic Society

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REMARKS ON THE FOCUS OF THE POLICY SEMINAR

BY

PROF. MIKE KWANASHIE
PRESIDENT
NIGERIAN ECONOMIC SOCIETY

The performance of the Nigerian economy in the last five years reflects the crisis that the country's macroeconomic management has been engulfed in, since the last two decades. The increasing level of poverty and the general decline in economic activities in the last five years pose a serious challenge to the 2000 budget. With the democratization process and return to civil rule the people's expectation of a more responsive and people-oriented economy create legitimate demands on the budget. People generally expect the dividend of democratisation to flow as a result of the management of the economy under the new dispensation. The 2000 budget is being looked upon to reverse the current trend in the economy. It has to meet this challenge to avoid the emergence of rising frustration with the budgetary process. Macroeconomic management is crucial for the attainment of the macroeconomic objectives articulated by the government and the budget is a potent instrument for this.

A number of issues have to be raised with regards to the potentials of the budget in the light of the timing of its approval

and the policy lags that often characterise budget implementation. This budget has been approved half way into the life of the budget. At the interim, as provided by the constitution, releases have been made which is less than expected under the budget. Can the budget still have the expected impact given that it would have to be operated in full for only half of the year? Has the nation gained anything from the face-off between the executive and the legislature over the approval of the budget?

Nigeria is now a democratic country. The budgetary process must recognise this fact. Budgets in democratic societies are basically political instruments, very often outcomes of complex political process. They reflect, very often, the outcome of interplay of local interests as manifested by the positions of the various actors in the budgetary process. Over the years, Nigerians have not benefited from the experience of the politics of budget making because the military turned the budget into an instrument of manipulation and control. The concentration of power and the command structure of the military prevented the process of consensus building that is required to put a budget in place in a democratic soci-

ety. The executive simply dictated the budget with minimum inputs from the people. Under our current democratic system, the people must have a voice in the budgetary process, at least, through their elected representatives. Broad based consensus has to be built in support of any budget to make it acceptable and implementable. In all ideal situation all stakeholders should have a meaningful say in how the budget is crafted and in the provisions of the budget.

The ultimate impact of the 2000 budget would depend on how best it is implemented. The major difficulties of budgets in Nigeria in the past have had to do with very poor implementation characterised by lack of transparency and accountability and the extremely long time lags in commencement of programmes, which often render the document at the end of the budget period a rather irrelevant document. The people through their elected representatives should monitor budget implementation to ensure accountability and transparency. They must ensure that the budget reflects the aspiration of the totality of the people and that the implementation is in line with the approved budget. It is within this context

that the delay in the passing of this years' budget is a blessing for the Nigerian people. In principle, at least, it is being established that budgetary process must carry people along. If the National Assembly does its work faithfully it is in a position of radically improving on the performance of the budget. This would ensure greater macro-economic stability and greater impact of public expenditure.

The 2000 budget has to be seen within the context of the poverty situation in the country. The problem of poverty has for a fairly long time been a cause for concern to the people of Nigeria and the Government. Poverty in Nigeria is on the increase despite the country's position as a major oil exporter in the world. To address this issue the budget should induce rapid economic growth. Nigeria's GDP has up to this point, been characterised by slow growth and little structural shift. The growth rate for the last decade has averaged around 3.0 per cent. With a population growth rate of 2.8 per cent the living standard of this constitutes the majority, it has declined drastically. The situation is more depressing when disaggregated between the urban and the rural sectors. In the last budgetary impacts, if felt at all, often benefits the urban economy more than the rural. Macroeconomic policies seem to be targeted at a small enclave modern economy to which the mass majority of Nigerians have no direct access but simply act as consumers to

sustain this enclave economy. The balance of the wider economy hardly benefits from budgetary policies even when specific aspects are targeted at it. The 2000 budget needs to address this issue to make a difference.

The analysis of the performance of the economy reveals relative sectional stability and lack of any significance shifts. Most analysts, however, agree that there is a need for major structural realignment of the economy that invariably would result in significant sectoral shifts. This, amongst other factors, is responsible for relatively low growth rates experienced in the last two decades. To be of maximum relevance the 2000 budget should set the stage for re-engineering the Nigerian economy. The structural shifts necessary, within the context of globalization, should be identified and relevant policies articulated to achieve them. The 2000 budget is rather weak in this regard. The philosophy of the budget betrays an uncritical commitment to liberalization and deregulation without due regard to the level of development of productive forces in society and the imperfections within the economic system.

The 2000 budget needs to be accompanied by relevant and sound macroeconomic policies to make it successful. Policies to ensure the maintenance of appropriate exchange rate regime; policies to reduce the domestic interest rates; policies on both

internal and external debts are necessary to compliment what is presented in the budget. While there seems to be some consensus on policies such as deregulation, privatization and commercialization, the modalities and extents of the programmes should be critically reviewed. A wholesale, unco-ordinated and poorly implemented privatization programme in Nigeria could be encounter-productive.

Real sector policy measures, complemented by fiscal, monetary and other policies, of the present administration, aimed at promoting the expansion and diversification of the productive base of the economy, through the stimulation of private investment growth from both domestic and foreign source should be enhanced by the 2000 budget if properly implemented. During the budget year, the inflow of foreign investment is expected to improve significantly, encouraged by the position of the budget on major policy issues. Budget implementation should ensure sustainable output and employment growth through shifts toward the development of the rural areas to encourage enhanced agricultural productivity and food self sufficiency. It should be noted that agriculture has been beset by long standing problems include insufficient farm inputs, inadequate rural infrastructure, inappropriate technical manpower, poor environmental management, relative neglect of the sector by the government, policies encouraging rural-urban migration and low productivity in the

persisting predominance of small-holding and the inappropriate land tenure systems. The budget should also facilitate increase capacity utilization in industry and promote small and medium enterprises in Nigeria. Major infrastructural constraints should be addressed as a matter of urgency.

This policy seminar is very important as an input into the entire budgetary process as it provides all participating

organisations the opportunity to look at the 2000 budget and its prospects for macroeconomic management and make policy recommendation to the relevant authorities. The various speakers lined up to participate in the seminar, will no doubt deal effectively with the various aspects of the budget and would facilitate the process of the participating organizations efforts at jointly making inputs into budget implementation process. The Nigerian Economic Society (NES) would like to place

on record its appreciation of this collaborative efforts with the Central Bank of Nigeria (CBN) and the National Centre for Economic Management and Administration (NCEMA) in hosting for a number of years this annual event. We hope this would continue. We also hope that the outcome of these seminars would make meaningful inputs into policy articulation and implementation in Nigeria and would promote the process of economic growth and poverty reduction.