

PUBLIC BUDGETARY PROCESS AND BUDGET PADDING: THE NIGERIA EXPERIENCE

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Faculty of Management and Social Sciences the instrumentality of the budget and Department of Business Management involves the entire budgetary process. It is jamico2@yahoo.com the live wire of government and evokes the

08037375157 largest number of policy issues. According to

Laxmikant (2007) budget is derived from an

Abstract old English word "bougett" which means a

It has become a culture for Ministries, sack or a pouch. It was a leather bag which Departments, Agencies, and the legislature the British Chancellor of Exchequer to pad the budget. It has been extracted his papers to present to the institutionalized and many public servants parliament the government's financial and law makers see it as a source of easy programmes for the ensuing fiscal year. Ever money by inflating the budget of their since then, it has come to mean the papers agency and in nomination of constituency themselves especially those containing the projects. This paper attempted to unravel financial proposals. The budget is therefore a the nature of budget padding so as to comprehensive plan of income and ascertain whether the act is a crime or not. expenditure within a specified period of time

The paper is a documentary research and which serves as the basis of governmental relied on qualitative data from secondary activities during the fiscal year. It is a sources as expressed in text books, journals, systematically designed plan of financial newspapers and internet. Based on content proposals dealing with allocations to various analysis of data, it was found out that projects and programmes, matched with budget padding is occasioned by the fact detailed and carefully articulated estimations that the public budgetary process in Nigeria of income from government sources of is much more political than technocratic revenue in a given year (Encyclopaedia of because the budget actors see issues

Public Administration and Public Policy, surrounding the budget as a political

2003)

. activity for political and personal advantage rather than a pro-poor exercise.

Most politicians see the budget as a political exercise carried out in a political manner for a crime because it is a dishonest act. It is political gain. As a result, the public recommended among others, that a limit be budgetary process is seen as an arena for put to the number of constituency items and political confrontation between competing amount of money that a law maker can interest groups. It is a product of political insert in the budget and this should be negotiations that reflects underlying power submitted for reconciliation during budget struggles between social forces. Sound preparation stage to reduce the over formal rules, processes and procedures are in bloating of items and amount

of money due place, but are distorted by informal practices. to arbitrary insertions in the budget.

Barker (2005) as cited in Ogunna (1999) puts it succinctly as "budgets are not just political

Key Words: Public budget, budget documents in addition to being other things padding, budget process, legislature, as well budgets are political documents executive. before they are other things". He observed that "politics is often veiled and to the **Introduction**

untrained eye, the budget often conceals much more than it reveals". Thus, the public budget appears as financial plans but they carry political implications. One of the political implications is the budget padding as it is said that any increase beyond current estimates is padding, and is therefore unethical. This paper examines the public budget and provides a clear understanding of the phenomena of budget padding.

Statement of the Problem and Objectives of the Study

Budget imbroglio and impasse are among the many challenges facing Nigeria democracy since her transition back to civil rule in May 29, 1999 (Onah and Eme, 2017). Since 2000, the polity has witnessed conflicts between the Legislature and the executive over budget matters. *Over the years, the media has been awash with the issue of budget padding. Many critics have it that budget padding is a systemic disease and works like a contagious virus, which has capacity to sully Ministries, Departments, and Agencies (MDAs) expenditure plans and records through procurement manoeuvring, data mutilations, audit fragmentation, inclusion of frivolous expenditures, making priorities in the budget not in accord with developmental challenges, and budget process being shrouded in secrecy. These acts affect citizens, and eat up scarce resources, causes siphoning and diversion of resources, and leads to poor implementation of appropriation plans. In view of the above, the objectives of the study are to; assess the nature of budget and budget paddling in order determine whether budget padding is a crime or not.*

Conceptual Review P ublic Budget

Different authors have conceptualized budget from different dimensions. Generally, budget refers to a plan for the accomplishment of programmes and projects related to the objectives and goals within a specified period of time coupled with an estimate of financial resources required together with estimates of resources available usually compared with one or more past periods and showing future requirements. It shows a brief of the previous year's performance, details of estimates of expected receipts from all sources, details of proposed financial expenditure (showing financial allocation to services and programmes).

According to Wildasvsky (1979) "budget is concerned with the translation of financial resources into human purposes. Thus, a budget is therefore characterized by a series of goals with price tag attached. By this view, budget is an annual financial plan containing accruals to the government, and what projects and activities to be executed using public funds.

Noreen, Garrison and Folk (2002) have defined budget as a detailed plan for acquiring and using financial and other resources over a specified time period. It represents a plan for the future expressed in formal quantitative terms. The definition above shows that budget is futuristic as it forecasts and articulates societal needs in a legal, financial and quantifiable manner.

In Governmental circles, budgets are used to assist management control and to provide the legal authority to levy taxes,

collect revenue and make expenditure in accordance with the budget provisions (Baker, 2005). Budget is therefore a conscious and systematic allocation of resources prepared in advance, relating to a future period and based on a forecast of key variables adopted to achieve certain policy objectives, which may or may not set explicit performance targets for the achievement of objectives, relates anticipated expenditure to anticipated revenue and forms the bases against which the actual expenditure and revenue can be measured and controlled. This definition implies that budget is a financial plan to determine which resources will be allocated towards the attainment of a given objective (or public value) expressed in financial terms. It is a critical mechanism by which stakeholders in budget matters decide on relevant ways to effectively extract and reallocate resources from society. Budget is the sum total of the aspirations, values, social and economic policies, and services of government. Through the budgets, state actors determine the proportion of national resources that go to the various sectors of the economy by determining what should constitute public priorities within the fiscal year.

For Sachdeva and Sogani (1980) budget in modern times means a financial scheme or statement or the document which contains estimates of revenue and expenditure for a year. This implies that budget is a statement of the likely revenue and expenditure for the ensuing year, with financial proposal founded thereon. However, budget these days is something more than an estimate of revenue and expenditure because it now includes not only a plan of public revenue and expenditure but the whole of material finances which are incorporated in MDAs estimates placed before the legislature and

the orderly administration of the financial affairs of the government.

Bhattacharya (2000) supported the above when he puts it succinctly that a budget is more than estimates of revenues and expenditures, but encompasses reports regarding how government managed affairs in the previous year, the condition of public treasury, programme of work for years to come and how such work should be financed. Budget shows a quantitative expression of a proposed plan of action by management for a specified period and an aid to coordinating what needs to be done to implement the plan

(Horngren, Stratton, Sutton and Teall, 2004) as cited in Agugum and Ehiogu, (2016).

Thus, budget is futuristic in nature. It is a plan stated in quantitative monetary terms usually prepared and approved prior to a definite period of time incorporated with planned income to be generated and, or expenditure to be incurred during that fiscal year.

[Budget Padding](#)

The word pad in relation to bills is defined by the oxford advanced learners dictionary (2006, 7th edition) as "to dishonestly add items to bills to obtain more money". Also, the Merriam Webster's Collegiate dictionary (11th edition, 2003) defines padding as "to expand or to increase with needless misleading or fraudulent matters". From the definitions so far, one can rightly infer that budget padding means the act of illegally adding items to the budget proposal to make it larger than the original or factual estimates for personal or group gain. Budget padding is done either by inflating a project's cost or arbitrary

inclusion of items and price tag in the budget estimates.

As Aguguom et al (2016) captured it "budget padding involves the insertions of figures into the budget or mutilations of the budget without the consent of the owner of the document (the president) or with intent to betray the initial objectives of the budget preparation". Thus, budget padding allows budget actors and agencies to engage in malfeasance by hijacking budget envelopes, distortion of expenditure plans, cost templates, and hampering of the realization of core elements of MDAs fiscal architecture and projections within the Medium Term Sectoral Strategies as encapsulated in the Fiscal Responsibility Act (FRA, 2007).

Hence, through budget padding, fiscal materials are generally abused through shrewd expenditure line tailoring and distortion resulting to unwanted and unwarranted borrowing in the long run. This is because when the items and amount in the budget balloon as a result of padding arising from inserted and or mutilated phony items, the government then faces the problem of getting the funds to execute the projects even when such projects or amount ought not to have arisen. Consequently, when the government cannot borrow the funds, some genuine projects that were not padded may be neglected or left uncompleted while the padded ones are executed.

In the words of Falana (2016) budget padding takes place when legislators resolve to rewrite the budget by introducing new items outside the estimates prepared and presented to them by the president. Falana adds that neither the Constitution nor the Fiscal Responsibility Act has empowered the National Assembly

members to rewrite the national budget by including constituency projects whose costs are arbitrarily fixed by the legislators.

However, Falana's definition seems contrary to the view expressed by Maheed (2016) when he says "Issues surrounding budget padding is an invention of the executive and the blame for such criminal acts should first go to the executive. To buttress his view about budget padding, Maheed gives an analogy with reference to the 2016 budget saga. According to him:

The road to this unfortunate episode began with the report that the 2016 budget was missing. It was later revealed that the executive had sent a second version different from the original one presented at the joint sitting of the entire National Assembly by President Muhammadu Buhari. It was discovered by the legislature in the cause of their scrutiny of the budget that certain irreconcilable figures were added by some MDAs by way of inflated budgetary estimates, with possible intention to convert same to personal monetary gains if passed into law. This padding was further complicated by the fact that two versions of the budget existed and the National Assembly was in dilemma as to which to work with. The Presidency finally accepted the fact that it replaced the first version of budget with a second one because of discrepancies it discovered. This was interpreted as a veiled admittance that indeed the budget was padded.

The above analogy corresponds with the view expressed by Na'abba (2016) when he says "budget padding is not possible without connivance of executive arm". Many institutions generally believe that the cabinet and or the legislature will definitely slash the budgetary proposal. Thus, it is normal to inflate the budget so that if it is

slashed they can still get the minimum. Some public office holders also see padding the budget as a way to engage in healthy competition and make favourable impression on their superiors. They feel that if they propose a larger budget and outperform, then the institution and the project team will be viewed favourably by their bosses and invariably the citizens. Some budget actors assume that in event of postponement of the implementation of a given project, there is the probability that the cost of the project would have risen. Therefore, there is need to at the time of determining the estimates, inflate the cost of the project so as to execute the project despite the rise in the cost of unexpected and large bill instead of not having enough money for the unexpected expenses.

George (2016) sees *budget padding as a systemic disease and works like a contagious virus, which has capacity to sully MDAs expenditure plans and records through procurement manoeuvring, data mutilations, audit fragmentation, which affects every citizen, in the first instance. Secondly, it eats up scarce resources, causes siphoning and diversion of resources and poor implementation of appropriation plans. This is because when budget padding takes place, automatically several line items have their original cost ballooning beyond actual cost within the MDA's actual expenditure plan. Several mutilations occur, resulting in sundry genuine projects being inserted irrespective of whether such "projects" were put to sectoral strategy cost or not. As a dishonest act, when such padded items with no needs assessment, beneficiary analysis, expenditure etiquette or sectoral gauge occur, lots of funds are released to MDAs leading to excess monetary circulation, concentration of fund in the hands of select*

few and sometimes money laundering by the beneficiaries (George, 2016).

This paper is anchored on the Least Member Exchange leadership theory propounded by Dansereau and Haga (1975). The theory maintains that leaders develop different exchange relationships overtime with various subordinates. Thus, leaders usually establish a special relationship with a small number of trusted subordinates (the "in group"). The exchange relationship established with the remaining subordinates (the "out group") is substantially different. Aligning this theory with the issue of budget padding, one can say that budget padding is perpetrated by select few leaders (the "in group") in connivance with few trusted subordinates or allies. The remaining members of the subordinates (the "out group") are schemed out and do not know the real politics involved in the budgetary process. Thus, the exchange relationship between the in group and the out group differ substantially.

The Public Budgetary Process

Although the word budget is not mentioned in the 1999 constitution of Nigeria, it is the popular name for the annual financial statement as captured in section 81 (1) of the constitution which says:

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 for the next following financial year.

The public budgetary process commences with budget **formulation** during which the statement of estimates of expenditure and receipts of the government are prepared which are latter collated and scrutinized by the Budget Office based on the point of

view of the availability of revenues and general government objectives for the year.

The above is followed by **authorization during which** the budget is presented to a joint sitting of the National Assembly by the president or minister of finance for general discussion, scrutiny by parliamentary committees, voting on demands for grants, passing of appropriations bill, and finally, passing of finance bill (Nwizu, 2002). In line with section 80 (4) of the 1999 constitution of Nigeria which states that '*no money shall be withdrawn from the Consolidated Revenue Fund or any other public fund of the federation, except in the manner prescribed by the National Assembly*' the House and Senate appropriations subcommittees hold hearings on the segments of the budget under their jurisdiction focusing on the details submitted by the agencies and the justifications for their demands. As pointed out by Ogunna (1999), "ultimately, the Appropriations Committees of both Houses make modifications on the budget as it deems fit". Thus, after a detailed consideration of the budget, the legislature may alter or modify the budget based on the relative value and desirability of the services, quantity of the services required with due regard to available resources and government priorities.

After authorization and the president's assent, the budget becomes a legal working document ready for **implementation**. It is worthy of note that budget implementation is made strictly in accordance with the provisions of the budget and in compliance with the extant Financial Regulations.

The last stage which is the audit and evaluation is effectively achieved by the availability of well kept record of revenues

and expenditure during the fiscal year. During this period, the Accountant-General of the Federation presents to the Auditor General the approved Annual Estimates and the Statement of Account for auditing. The detailed scrutiny of Audited Accounts is done by the Public Accounts Committee of the legislature.

Accordingly, Oshisami (1984) and Bhattacharya (2000) articulated public budgetary process to include the following stages:

- (a) Preparation of Estimate: At this stage, the political executive decides the overall financial policy, on the basis of which estimate are prepared. On the basis of the instruction from finance ministry, various agencies prepare their estimate which are examined and scrutinized by departmental heads. This stage is usually characterized with stiff competition among various departments who push their claims for acceptance;
- (b) The budget office devices a more detailed version of the plan and issues circular to ministries, requesting estimates to be prepared according to budget guidelines;
- (c) The ministries submit their estimates to the budget office which reviews them and adjusts them where necessary.
- (d) The budget office then aggregates the budgets in the form of Consolidated Revenue and Expenditure which is passed to the president for his approval;
- (e) The president lays it before the National Assembly in the form of Appropriation Bill;

- (f) The National Assembly debates the bill and invite ministries and other agencies to defend their budget proposals where necessary, modifies before passing the budget and returning to president for his assent;
- (g) The president gives his assent to the appropriation bill which becomes an Act, and finally,
- (h) After this, the minister of finance is empowered to release funds to the ministries. This is done by the issuing of warrants and implementation of the budget begins.

It can therefore be said that budget padding is achieved when there is sheer disregard or abuse of the budget process.

[Empirical Review](#)

Jaye (2016) in a paper titled "Budget Padding, Constituency Projects, Corruption, and the Trouble with the Nigeria's Ruling Elites" revealed that our current budgetary process is grossly defective, it is not informed by scientific and empirical analysis and information, it promotes guess work and in turn enables an environment of fraud and corruption.

Otive (2017) in a paper titled "Nigeria Budget 2017": What are the Issues? concluded that the budgetary process in Nigeria can only be improved by addressing the process, content and implementation challenges.

Lawyer (2013) reviewed the practice of budgeting and budget implementation in Nigeria. The objective of the paper was to empirically suggest ways of getting out of the jinx of continual and repeated adverse budgetary performance. It was found that in

order to secure best value in terms of allocation and utilization of scarce resources in Nigeria, there is need for concept of value for Money Audit, due process and cost Audit. These concepts if properly applied alongside good public procurement philosophy will according to him engender a strong legal, organizational and professional framework to make budgeting and budget implementation in the Nigerian Public Sector robust and effective. The paper strongly recommended professionalism in post project review technique of value for money concept, performance measurement and benchmarking.

Aguguom and Ehiogu (2016) investigated budget padding: the Nigerian perspective. Adopting content analysis research design approach, the study revealed that budget padding had been an entrenched process in finance and budgeting process in Nigeria through the years, but got to disturbing rate in 2016 as N100 billion was illegally padded in 2016 based on facts available from reviewed articles, inflating the budget to N6.06 trillion. The paper recommended that the executive arm of government should adopt yearly publications of the appropriation bills pre and post Legislative appropriation process and Presidential assent, adding that there is every need for the Presidency to engage a reputable consulting firm to audit the appropriation bill process, to ensure credibility assurance of the budget and hitch free budget preparation.

Ekhaton and Chima (2015) examined **Budget and Implementation of Public Policy in Nigeria**. The paper examined budget as instrument of realizing the goal of public policy. Using data generated from secondary sources, it was found that the

goals of most policies were not accomplished in Nigeria due to incessant budget failure at the stage of the formulation and implementation. Critical among the factors responsible for the failure were; delay in preparation, late submission and appropriation, cumbersome bureaucratic process of securing release of funds, short fall in revenue, poor implementation plan and above all corruption. Consequently, the paper suggested for; effective monitoring, timely submission of the budget to legislature by the presidency, discouragement of unnecessary lobbying of National Assembly by MDAs and avoidance of temptations of allocating huge amount to new projects while the on-going projects are starved of funds.

Abdullahi Malgwi and Angus examined Budget in Nigerian Public Sector: Need for Balanced Scorecard Perspective. The objective was to investigate specifically on how budget performances differ from State to State. Four budget performance indices appraisals were used. ANOVA and Pair Wise Correlation statistical tools were employed in the analysis of data collected. The results showed that budget performance differs significantly with $p = 0.001$ from state to state with $F > 13.118$ tested at 5% level of significance. This paper recommended the adoption of Balanced Scorecard Budget Perspectives and close monitoring of budget execution to be enshrined in the country's work ethics so as to strengthen other measures in mitigating public corruption in Nigeria.

Concluding Remarks This paper has been able to discuss the concept of budget and budget padding. Section 24 and 30 of the Legislative Houses (Powers and Privileges) Act 1958 (amended in 2018) states that "the

things legislators do in the National Assembly are privileged". Thus, altering or making changes in the budget proposal by the legislature should not be misconstrued as budget padding but an exercise of legislative privilege which is constitutional, unless the exercise of such legislative privilege did not follow due legislative procedure. However, going by the meaning of padding, if it is established that a budget was padded, it is a crime because it is a dishonest act. This is equally true in view of the fact that politicians and public servants cannot be trusted by citizens who usually allege that politicians and public servants see public offices and activities as 'prebends' and do not comply with the budget principle of rule of lapse.

A cursory study indicates that it is the executive officials that can most effectively pad the budget because it is the executive that prepares the budget. When the budget proposal is presented to the National Assembly, they are empowered by law to make 'changes' with the budget by way of 'recommendations' which may take the form of allocation, reallocation, removing, adding items, increasing amount, or retaining revenue or expenditure heads and forward same to the president to assent within thirty day period or veto it by communicating his displeasure over the changes made back to the legislature. Section 3 of the Legislative Houses (Powers and Privileges) Act 1958 as amended in 2018 grants civil and criminal immunity to legislators in the National Assembly and State Assemblies from prosecution for anything they do or say while parliament is in session and during committee proceedings in respect of any words spoken on the floor of the House or Committee, or in respect of words in a report to that House or Committee in any

petition, bill, resolution, motion or question brought or introduced by a legislator.

Therefore, whatever changes that are made in the budget proposal by the parliament are within the appropriation powers of the legislature which cannot be described as criminal or budget padding. However, changes made should have followed due legislative procedure and presented in the manner of 'recommendations' to the president (for reconciliation) and not as a substitute (illegally) to the original budget. **Serious** differing issues may be resolved for concurrence by the collaboration of some members of the legislature and the executive.

RECOMMENDATIONS

- I. It is high time a limit is put to the number of constituency items and amount of money that lawmakers can insert in the budget. It is equally necessary that list of constituency projects be submitted to the executive at the time of budget preparation for proper integration. These will help to reduce the over bloating of items and amount of money in the budget proposal in the guess of constituency project or exercise of legislative privilege.
- ii. Again, there is need to ensure that legislative topics are properly debated and decided by committees with jurisdictional expertise to lessen the dangers commensurate with accumulation of power in a select few. Through this, the undemocratic secrecy involving the inclusion and alignment of interests of a few persons within the legislature which gives them the opportunity of manipulating the budget without

following due legislative process will be reduced.

- iii. Finally, it has become necessary to rekindle public confidence and trust on government by ensuring more citizen involvement in budget matters. People should be encouraged to attend public hearings instead of always expressing the feeling that decisions have already been made and that the public hearing is just for the sake of formality because it is required by law, and not because of government's desire to craft a budget based on citizen input and public choice.

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