KADUNA STATE BUDGETARY PROCESSES (1980-1996)

BY

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DECLARATION

I, FASINA, Lasun Lawrence, declare that to the best of my knowledge, the data contained in this thesis has not been submitted to any other University for examination. All references in this work have also been acknowledge.

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DIGITIZED

KASHIM IBRAHIM LI

DEDICATION

This work is dedicated to my children

Adewale

Olajumoke

Olatubosun

KASHIM IBRAHIM LI

CERTIFICATION

The thesis entitled "KADUNA STATE BUDGETARY PROCESSES (1980-1996)" by FASINA Lasun Lawrence meets the regulations governing the award of the Degree of Master of Science (Economics) of Ahmadu Bello University and is approved for its contribution to knowledge and literary presentation.

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January 1998 **L.L. Fasina**

ABSTRACT

The major objective of this thesis is an assessment of Kaduna State's budgeting behaviour and investment pattern during the period 1980 - 1996 with special emphasis on the role of the State in the accumulation and growth process. More specifically, the thesis has analysed the methods of financing whether by external funds (grants, borrowing) or through local resources and the nature of the investments undertaken sector by sector as well as the impact of adjustment policies on the State's investment pattern.

The analysis has been structured within the frame-work of the Structural Adjustment Programme Nigeria has been undergoing since 1986. In the thesis, an attempt has been made to assess whether or not adjustment strategies have contributed to the growth and development process in Kaduna State, which should assist in determining the appropriateness of such strategies for a developing country like Nigeria.

Furthermore, regression analysis has been applied to show that government investment expenditure has been depending on its total budgetary savings and lagged investment expenditure.

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CHAPTER ONE

GENERAL INTRODUCTION

1.1 INTRODUCTION

A budget could be defined as a statement of activities to be carried out by an entity within a specified period usually one fiscal year. It is often expressed in quantitative terms. It is an exercise that is common to individuals, firms and governments. To a government, however be it federal, state or local, it is an estimate for a year ahead of revenue and expenditure chargeable to revenue and part of its receipts and payments on the capital account. It is a means for ensuring effective and efficient resources mobilization, proper management of expenditures, policy adjustment and effective control and co-ordination of economic activities.

The original purpose of the budget was purely financial - to provide money for government expenditure. The budget is considered first, as a forecast of what expenditure will be necessary or desirable, secondly, as a plan to secure the right relationship between income and expenditure, thirdly, as an authorisation to raise and spend the amount specified and as a means of controlling expenditure in particular and other activities of government in general.

As a means of control, it is obligatory that explanations must be offered for any discrepancies from the estimates which have occurred in the course of the year's

working of the budget. Within the context of Nigerian Federalism, every level of government prepares its own annual budget. The Federal government provides the overall macro policy frame-work in the areas of monetary and credit policy, trade, foreign exchange and balance of payments, interest rates, income policies etc. Over the years, the objectives of the budget have remained almost the same. Budget in Nigeria like in all developing economies, is aimed at achieving certain macro-economic objectives, namely - attainment of high output of goods and services, reduction of unemployment rate, regulating the rate of inflation and improving the balance of payments position of the economy. In reality, these objectives are sometimes competitive and not complementary, hence the idea of trade-offs arise.

In Nigeria, particularly since the advent of military governments, the state governments' budgets are approved by the Federal Government. The same applies to the Local Governments. In effect, the Federal Budget is the barometer which specifies the direction of the national economy.

There are various techniques of budgeting. They range from the traditional budgeting system to the Programme, Performance and Budgeting System and to the Zero-Base Budgeting System.

All these techniques have been used by some states at one time or the other in Nigeria. But the commonest technique is the traditional approach, i.e., the use of incrementalism as the basis for working out the budget.

As it will be seen later in this work, few economists have endeavoured to examine changes in government budgets and they were able to find out that the theory of incrementalism explains the budgets behaviour most especially in the Federal and local government levels. Authors like Lindblom (1961), Wildavsky (1964), Owosekun (1975) and Olowononi (1997) used traditional incremental model to explain sectoral mark up and mark down that characterised the traditional budgets. Williamson (1967) described the traditional budget as follows:

> *"Budget are almost never actively reviewed as a whole in the sense of considering at once the value of all existing programmes as compared to all possible alternatives. Instead this year's budget is based on last year's budget with special attention given to a narrow range of increases or decreases".*

The implication of working out the budget in this way is that it leads to mis-allocation of resources. The selection of the projects to be executed are not based on the cost-benefit analysis. Therefore the projects that are not viable are being given priority.

Beyond the above mentioned authors, the theory of incrementalism has rarely been used as a basis for an empirical test. Therefore this work represents a modest contribution in this area.

1.2 STATEMENT OF RESEARCH PROBLEM(s)

The budget structures of the Federal Government are becoming more complex reflecting new traditions and different information needs. Because of their concern with economic growth as a dominant policy objective, the budgets of the state governments are cast in a development planning way which suggests the need for an evaluation of the budgeting processes.

Scarcity of resources in relation to demands on government's budget makes it imperative that priorities be effectively determined and the best use of scarce resources made. All the above considerations suggest the need for a review of budget structure.

1.3 OBJECTIVES OF THE STUDY

The major objectives of this research work is to look into ways of improving the budgetary system in Kaduna state. To achieve this, the study examined the budgetary processes in Kaduna state as a spring board for successful implementation of the budgets. Also, an analysis of the statistics of public spending by the state government between 1980 and 1996 will obviously provide an explanation for the

inconsistencies in the budget preparation and implementation at the state level. Such empirical analysis will provide an opportunity to know whether there was a budget shift before, during and after the SAP period in the state. Furthermore, application of regression analysis to the theory of incrementalism confirmed the assumption that the government investment expenditure depends on its budgetary savings and lagged investment expenditure.

It is no doubt that our analysis would widen the public knowledge and understanding of scope, complexities and the problems of public expenditures in Kaduna State. In addition, we hope that this work will serve as a data base for future research work.

1.4 RESEARCH METHODOLOGY

1.4.1 DATA COLLECTION

Our major sources of data for this research work were essentially secondary. Hence, our data were mainly from the Kaduna state Government Budgets within the scope of our study, Government Publications, Central Bank Publications, Journals, Magazines, Newspapers and related source materials.

Time-series data were collected from 1980 fiscal year to 1996 for the following sub-heads:

- Total Public Expenditures
- Total Capital Expenditures

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- Total Recurrent Expenditures

- Kaduna State Internally Generated Revenue

- Federal Allocated Revenue

1.4.2 DATA ANALYSIS

Data analysis involved the presentation and description of the information gathered. Our presentation was done in two ways: Descriptive and Econometric Analysis.

Descriptive analysis was carried out by using major statistical tools such as simple percentages, ratios, tables and growth-rates.

In seeking more insight into the public expenditure pattern in Kaduna state, regression analysis was applied to the theory of incrementalism to show the traditional way of working out the annual budgets.

1.5 MODEL SPECIFICATION

An important variable at all levels of economic development is investment. Like the private sector, government undertakes both new and replacement investments. Replacement investment occurs when new capital goods are installed to replace existing scrapped ones. The level of government investment is not related to any level of output or to changes of output, profit level or capital stock. Rather, government investment expenditure is assumed to depend on its total budgetary savings and lagged investment expenditure.

Furthermore, the total government investment or capital expenditure can be disaggregated into several sectors, sure as Agriculture, Education, Transport, Health and Housing which will be estimated with regression model. Consequently, the following equations are specified for each of the four sectors.

$$Gk_t = a_o + a_1 GBS_t + a_2 GK_{t-1}$$

where:

GK - Government Capital Expenditure

GBS - Government Budgetary Savings

GK_{t-1} - Lagged Government Capital Expenditure.

The specification of the model states that Government Capital Expenditure in a sector depends on Total Budgetary Savings and the previous year's Government Expenditure.

1.6 THE NATURE AND SCOPE OF THE DATA USED

Many authors have discussed numerous conceptual and practical difficulties involved in defining public expenditure. Teriba (1967) in his work, "The Growth of public Expenditure in Western Nigeria", was able to point out some of the problems.

Also, as it will be seen in chapter two, so many general laws of expenditure have been formulated, for example Wagner's Hypothesis (1980), Displacement Hypothesis by Peacock and Wiseman (1961), Martin and Lewis (1956), Williiamson (1967),

Goffman and Mahar (1971), etc. Therefore, we are not trying to formulate any expenditure law or hypothesis. The pre-occupation of the study is to empirically analyse the expenditure pattern of the state within the period of 1980 and 1996.

Our own view of public expenditure includes all expenditures on goods and services, transfer payments and capital expenditures made by the Kaduna State. All expenditures incurred by various institutions as stated in the annual budget are also included. Our analysis excludes all the expenditures incurred by the State Enterprises. Financial transactions in private enterprises such as loans, advances and purchases of shares are excluded. This study also excludes the local government expenditures because of incompleteness and unreliability of the data on expenditures of this tier of government.

The study covers the period between 1980 and 1996 in order to examine the expenditure patterns of the state shortly before the Structural Adjustment Programme was introduced and during the SAP period. The significance of the events during this period in economic history of Nigeria and Kaduna State in particular makes the choice of 1980 - 1996 appropriate for our study. The year 1980 marked the end of oil boom in the country and the beginning of the world economic recession at large.

By 1982, aggregate expenditure was at variance with domestic productivity at constant market prices. The controversial SAP was introduced in 1986 with all its conditionalities. Furthermore, the choice of 1980-1996 gave us the opportunity to see

the expenditure patterns of the old and new Kaduna States since the latter was created in 1987.

In this study, our main concern is total public expenditure. This is so due to our realisation of the fact that a large percentage of the fund at the disposal of the state government in financing both recurrent and capital expenditure are from Federation Account. Therefore, making total public expenditure our target in this study is a way of knowing how judicious or otherwise Kaduna state government is utilizing that part of the national resources in her care.

It is pertinent at this juncture to point out that actual expenditure figures were not available. It was observed that before 1987 when the new Kaduna State was created, records keeping was treated with levity. Therefore, we cannot lay our hands on actual expenditure thus 'estimates' were used in our analysis.

1.7 ORGANISATION OF THE WORK

This research work is organised into five chapters. Chapters one gives a general introduction to the research topic. It starts by explaining the meaning and importance of budget in decision-making process of individuals, firms and governments. It further examines the research problems, objectives of the study and research methodology.

Chapter two reviews the literatures that are relevant to our area of study. Chapter three presents budgetary processes and descriptive analysis of expenditure pattern in Kaduna State. This chapter runs through the processes of budget preparation, implementation, monitoring and evaluation. Also, analysis of the budgetary structure is done in the chapter.

Chapter four presents and analyse the estimated regression results, while chapter five summarises and concludes the work.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 INTRODUCTION:

In this chapter attempts will be made to review some related literature on the study. The review of related literature on this work would be examined in three perspectives:

(i) The definition of budget and budgeting.

(ii) Budgeting and problems in Developing Nations.

(iii) Review of specific relevant theories and materials.

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2.2 THE DEFINITION OF BUDGET AND BUDGETING

R. Goode (1954) defines budget as the outcome of a process that includes preparation of the financial plan, review of the plan by the legislature where there is one, execution of the plan and (ideally) evaluation and public reporting of the results. Due and Friedlaend (1977) seem to share the same view with R. Goode in their definition. They define budget as the basis for expenditure decision-making and subsequent control of expenditures. The term, budget, observes Bastable (1903), in a well-known work of an earlier day, "has .... come to mean the financial arrangements of a given period, with the usual implications that they have been submitted to the legislature for approval". What the above authors are saying in essence is that any government budget in not more than mere calculation of income and expenditure of the nation.

But Newman (1968) argues that we must be prepared at times to view the finances of government in non-monetary terms, and this is particularly true of budgets. Gladstone (1956) once remarked that budgets are not merely matters of arithmetic.

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but in a thousand ways go to the root of prosperity of individual, and relation of classes, and the strength of kingdoms. It is further stressed that a budget maps out the process of acquiring scarce resources for government direction. This it does, by showing the resources sought and the use to which they are to be put, and also by showing the revenue estimates and the proposals for new revenues that will afford the immediate means of acquisition.

According to Newman (1968), it would be a shortsighted view of public finance, to stop at considering governments budget and the problems of short-run economic stability alone.

He is of the opinion that even if we are certain that the economy will remain reasonably stable in terms of total production, income and employment, and in terms of price levels, there will remain, many issues of efficiency in the use of resources and equity in the distribution of income and the tax burdens. In view of the above, budget should be seen as an instrument of solving economic problems both in the short and long runs. It is more than mere calculation of income and expenditure of the government within a given period of time.

As a statement of past performance and immediate future plans, a government's annual budget may be regarded as an expression of economic goals. With the emergence of keynesian and Neo-Keynesian economics, there has emerged general agreement on such goals. Government should organise their budgets so as to achieve economic stabilization and growth, efficient allocation of resources and an equitable distribution of income. Newman's view re-echoed in the recent writings of R. A. Musgrave (1959), in which he argues that budget has three component functions, namely:

(i) Provision for certain wants of individuals that for various reasons the market mechanism cannot satisfy effectively or is incapable of satisfying at all.

(ii) Effecting such changes in the distribution of income (e.g. through a series of taxes and transfer payments) as society thinks desirable; and

(iii) provision for stabilization of income, production, employment, and prices at acceptable levels.

Musgrave suggests that these functions can appropriately be conceptualized as subdividing the budget into three branches which are allocation, distribution and stabilization. It is Musgrave's contention that government is concerned with all these budgetary functions at all times, but at the same time, government's budget may provide relatively small amount for want - satisfying goods and services and relatively large amount for re-distributive transfers or the reverse of this situation may occur. In either case the budget may show a deficit to stimulate economic expansion or a surplus to check inflation. According to Newman (1968), budget policy must aim at the proper balance of all its functions, at the correct blending of macro and micro economic objectives.

Newman (1968) further argues that a budget is a plan for group consumption and group directed consumption. He is of the opinion that when the data are organised according to programmes, the budget provides the basis for marginal evaluation; in comparison of the relative merits of several public programmes and the advisability of using and increment of resources for further group consumption.

Lindblom (1961) notes that there is no satisfactory technique to compare the alternative benefits and cost of some goods and services. He stresses that it is very

difficult to compare the alternative benefits and cost of warships and grants-in-aid to the poor. In essence, the budget maker merely practices incrementalism.

According to the theory of incrementalism, public budgets are never entirely reviewed in the sense of considering at once the values of all the existing programmes as compares to all possible alternatives. Rather, this year's budget is based on last year's budget with special emphasis given to small increase or decrease.

In support of Lindblom (1961) and Wildavsky (1964), both Owosekun(1975) and Olowononi (1997) developed empirically oriented models based on the theory of incremntalism which they used to estimate some parameters at the Federal and Local Government levels. Their empirical evidence offered support to their hypotheses. For example, in seeking evidence for the incrementalist budgeting behaviour in Nigeria, Owosekum (1975) used three categories of expenditure namely: (i) Grants and Allocation to states, (ii) Loans and Grants (iii) Works. The results show evidence of a budget mark up for grants and allocation to states and a mark down for loans and grants and works. Olowononi's paper also used extensively the concept of budget mark up and mark down. All these were regarded as evidence to support the incrementalist model. Based on the above reason, Wildavsky (1964) maintains that government budgets are not devices solely for resources allocation, stabilization or distribution. He is of the opinion that a budget is an expectation, an aspiration, a strategy, a communications network and a precedent. The decision process in public budget is dominated by the strategies employed and the conflicts among the participants, though there is high degree of coordination in the process but it is informal.

The Lindblom - Wildavsky approach to budgeting is a description of what occurs as well as prescription for conflict resolution. To my mind, it is undoubtedly closer to the real world situation than that of Musgrave abstractions. It is, however, disturbingly pragmatic.

But certain difficulties may arise when the model is applied to an underdeveloped economy like Nigeria. Relationships conceived as automatic may not take place, a current project may not turn out as well as anticipated and national income may fluctuate in unforeseen ways. Budgeters in low-income countries often do not know where they are, let alone where they are going. The present here is as uncertain as the future there. The above explanation may shed light on the extraordinary difficulties faced by developing nations in annual budgeting.

If to know the past is difficult, to predict the future is even more hazardous. It is hard to foresee and cope with typical drastic reduction in foreign exchange holdings, or the rise in costs of major projects.

Inflation wrecks havoc with budgetary calculations in developing nations. No one can tell at the beginning how much the funds authorised will be worth during the rest of the year. This means that promises made in the budget cannot be kept, or there may be no real budget at all. President Soeharto (1974) said it all when he opined that, if a nation budgets for a new school at the beginning of the year, by the end of the year the value of the money will be such that a toilet cannot be built.

2.3 BUDGETING AND PROBLEMS IN DEVELOPING NATIONS

Budgeting is technically and politically difficult for all countries, but particularly so for developing nations. The difficulties stem from the various problems that face these countries. The scarcity of means is indicated by low per capita-income which always leads to low productivity and inefficient markets. According to R. Goode (1954) other forms of scarcity that complicate budgeting in the majority of less developed countries are a shortage of Civil Servants who are well trained and experienced in financial and economic matters and a lack of systems to provide needed information.

Under the volatile conditions in which they must work, leaders of developing countries need up-to-date information on which to base their decisions. But it has been proved in many economic literature that normal budgetary procedures expected to fill this gap do not help. The time lag involved in the process of preparing and approving estimates of proposed expenditure in most developing nations makes the formal budgetary procedure impossible to follow. Even, the turbulent financial environment in terms of many changes that usually take place after the budget has been approved do not help the situation. It is very common in the developing nations for the government to make supplementary appropriations and transfers among different categories of expenditure. This can be seen in an interview conducted by Caiden and Wildavsky (1974) in both Chile and Peru where the officials of both countries confirmed that budget is a series of patches. Peru official stressed that there were over 3,000 transfers of funds between expenditure categories in the Education Ministry in 1964, and 90 amplifications (changes in amount) in public work during 1967.

The political instability in most developing nations is contributing to the budgetary crisis in such countries. Caiden and Wildavsky (1974) observe that amplifications

and transfers have positive correlation with political instability. Where instability and uncertainty prevail, budgets are often in a state of flux. At times, it may be impossible to prepare them at all, or necessary to alter them completely at short notice. This sort of happenings made an Argentinean Civil Servant exclaim thus, "you would call it nonsense, wouldn't you, if the budget for the year 1965 was made up in November 1965? The budget for the beginning of 1965 was changed so many times that it had no meaning. We had almost completed the job of entering the budget into the computer when the government fell in 1966. Then they began to modify the budget figures by Decree - law. We had to take everything out of the computer and replace it with the new information" (Caiden and Wildavsky 1974). Apart from coups and counter coups that have become the way of changing government in developing nations, the frequent changes in top personnel cadre is another source of government instability. In an interview conducted by Caiden and Wildavsky (1974) in their study of planning and budgeting in poor countries, an Argentinean official said:

> "One problem in this ministry has been that the high number of political changes that have occurred and the reshuffling of the administrative process. Our first Secretary came in June 1966 and lasted until December 1966. Our next Secretary lasted until the beginning of 1968.....The next one reigned through 1969 but was deposed in April of 1970. A new Secretary came in April and he was kicked out in June with the change of government. Before we received our present Secretary we had an interim Secretary for several days. So in the last 4 years there have been 8 chiefs of this Secretariat. Each time a new Secretary came in, a new policy was implemented. It is this type of instability that allows for the hit-and run tactics of the Finance Ministry in developing nations."

The problem of lack of accurate and timely data for decision making process cannot be over-emphasised in thwarting the efforts of budgeters in developing countries. Files, libraries, annual reports, journals and professional societies are poor in quality. Accordingly, G. Baldroin (1967) asserts that:

> "It seems next to impossible to get things done, to learn what has already been done, to prevent things done from getting undone, to

> learn who is doing what and what is supposed to be done. Lack of basic statistics is accompanied by doubts as to the accuracy of what exists, therefore data in developing countries are likely to be misleading".

There are always technical difficulties involved in data gathering. If, for example, the United States has trouble making an accurate census - such that the black people have been seriously under-counted in the past, developing nations with fewer resources must have correspondingly greater difficulties. It is no wonder therefore that Nigeria cannot boast of accurate census figure since her independence in 1960. Even, the 1991 ceremonious head-count was rejected by different ethnic groups before its official release. Stopler (1969), is one of the writers who queries the validity of statistics based on aggregates derived from a wide area.

Another serious budgeting problem in developing nations is that recurrent expenditures use up most of the budget. The most governmental expenditures are necessarily taken up with things done before. The best predictor of this year's expenditure is last year's and that of the year before that. Lewis (1964) observes that there is the tendency for new money to be eaten by old months. He stresses that much of the expected increase in revenue is already doomed to be swallowed up by existing commitments. For instance, in Nigeria's Budget Speech of 1989, out of the total estimated expenditures of ₦30,107b; ₦20,810b was allocated to Recurrent Expenditures while only ₦9,297b was given to Capital Expenditures. Also in 1991, N13,185b went to Capital projects while N23,581b was earmarked for Recurrent Expenditure. In 1987, Kaduna State budgeted the sum of N353,298,440 as recurrent expenditure while only N164,458,115 was earmarked for capital expenditure. The implication of these anomalies is low investment and

consequentl low productivity.

One would say that J. C. Wells opinion holds true of the Nigeria situation when he remarked that: "the combination of rapidly increasing recurrent expenditures with shortfalls in the rate of capital expenditures is .....the effective limit on the rate of capital expenditure" (J. C. Wells 1967).

2.4 PROGRAMME BUDGETS AND PPBS

A primary function of the budget system is to facilitate evaluation of proposals and to compare the relative merits of various requests. Unfortunately the traditional presentation of materials in budget documents has not facilitated the fulfillment of this task.

First, the usual budget is organised on the basis of agencies, without regard to interdependencies among various agencies or the conduct of closely related work by other agencies. As a consequence, all cost of activities are frequently not revealed and the estimation of benefits are made difficult.

Secondly, the budgets are organized in such a fashion as to stress inputs - purchases of various types of items, hiring of various classes of personnel (typists, filing clerks, etc.) without reference to the activities or outputs produced with them. Accordingly, relationships between inputs and accomplishments are not established, and no basis is provided for comparing the relative effectiveness of programmes from year to year or between jurisdictions or of various alternative means to attain the same end products. Such comparisons are presumably made within the agency in developing its work programme and its budget requests, but the information does not show up in the budget. Not infrequently there is no

reference to end product at all.

The typically budget is on a strictly one-year (or, often with the states, two-year) basis, without regard to future prospects or commitments arising out of the proposals included in the current year's budget.

2.4.1 PROGRAMME BUDGETS

The deficiencies in the traditional way of presenting material in budget documents as mentioned above have been recognized for decades. Many suggestions have been made for remedying them, and some attempts have been made to do so. The principal approach, in terms of budget structure, is the replacement of the traditional agency and input emphasis by the performance or programme budget. The local governments and to some extent the State have also been introducing programme features into their budget systems.

The programme approach stresses the end product, such as eliminating poverty in urban core areas or providing a retaliatory striking force of a certain magnitude, relative to the goals of governmental activity, rather than the inputs of various types of materials and manpower. The approach is designed to consider the pursuit of policy objectives of government in light of all economic costs of the programmes.

Secondly, programme budgeting stresses the relationship between various outputs or programmes and the inputs necessary to produce them. The work of each department is classified into programmes, which are broken down into sub-categories. Programmes include all work seeking to attain the same objective. This in turn facilitates the use of PPBS (Planning - Programming-Budgeting

Systems) and cost benefit analysis, discussed later in the chapter.

The primary advantage of the programme budget structure is obvious from its nature: It provides a more useful basis for evaluation of agency requests by department or congress by concentrating on end products instead of inputs and by providing better information on costs and benefits. Use of this structure forces the agencies in preparing budget requests to stress product and input - to - output relationships and to give attention to a wider range of benefits and costs.

2.4.2 PLANNING - PROGRAMMING - BUDGETING SYSTEMS (PPBS)

The programme budget, per se, is merely a form of budgetary presentation - a particular type of budget document. Accompanying its introduction has been growing use of Planning - Programming - Budgeting Systems (PPBS), first introduced into the Defence Department and subsequently extended to other sectors. These systems seek to integrate long-range planning of governmental activities and programming of specific activities with annual budgeting, making use of the program-budget structure and of various quantitative techniques, with quantification of costs and benefits to aid in the selection of the best alternatives. Programming involves the statement of the relationship of inputs and outputs, under various alternatives to accomplish the desired objectives. This approach seeks to aid in defining the goals and in choosing among the goals. In specifying alternative programmes to attain the goals in choosing the best alternatives, and, subsequently , in measuring performance.

Stress is placed on trade-offs within and between programmes. Cost analysis stresses marginal relationships rather than mere overall or average figures.

Planning is extended forward for several years, rather than focusing attention on the current year, with reconsideration of overall plan at frequent intervals as the specific budget for each year is developed. Because of the long-range approach, advance planning is possible, and a better picture is given of all costs and benefits over a period of several years. Accordingly, use of the foot - in - the - door technique on the part of subordinate agencies - starting a programme with a small sum of money without paying attention to the large sums that will eventually be necessary to complete it - is made more difficult. PPBS seeks to cut across agency lines to consider overall programmes in light of objectives, even though several agencies are involved.

2.4.3 LIMITATIONS OF PPBS

One of the greatest difficulties centres around the specification of outputs. With many governmental activities, the outputs are services not clearly distinguished from the activities involved in the production of them (e.g. education, police protection) and not easily defined or measured. The ultimate objective of police protection is to reduce crime, but this accomplishment is not easily measured or compared. The result is to use a proxy measure, such as the number of arrests - yet maximization of these is of course not ultimate objective at all. Or, more commonly, a measure of the conduct of the activity, man-hours of patrol duty - is used as an imperfect substitute, but this does not actually measure accomplishments. By the nature of public goods, output does not consist of discrete, separate units. Even with activities that appear to have discrete units there are difficulties of measurement. "Kilometers of streets paved" is not made up of homogeneous units, since some streets require such more expensive paving than others. Many activities, such as public health, involve a number of sub-products

(improved maternity care lessened infant mortality, health care of the aged, and so on). Not only are the output of the sub-categories not easily measured but there is no obvious basis for comparison or weighing. In other words, particular activities serve more than one objective.

Secondly, apart from the measurement of output is the problem of defining objectives and establishing priorities of objectives. These decisions require value judgements and are not susceptible to scientific determination. PPBS is primarily useful in choosing among various alternative subordinate programmes - various ways of accomplishing secondary objectives, such as selection of alternative means of lessening traffic congestion. Even for these consideration of all alternatives-all possible trade - offs is impossible, and the exact structure of the budget determines which ones will be stressed and which are largely ignored. PPBS suffers from the inherent limitations of cost-benefit analysis discussed below.

Actual costs are often difficult to ascertain even with the best methods and involve arbitrary allocations of overhead of common costs. Benefit from various activities in the face of uncertainty - of particular importance in the national defence and foreign police fields - cannot be estimated with any degree of accuracy. In other words, programme budgeting is not capable of solving many of the basic issues of determining optional government activities; it merely facilitates decision - making.

Another criticism is the charge that PPBS tends to centralize decision - making in government, thereby lessening innovation and concentrating power. To some observers, the promoters of the overall PPB system seek to eliminate political review from decision - making as much as possible, with decision - making on grounds of economic efficiency alone and the ultimate aim that decisions be made

by computers. Only political review involving conflict resolution can ensure consideration of the relationship of the various programmes to community preferences - which cannot be defined in such a way that they can be programmed for computers. Significant value judgements must be made. There are some dangers of attaching too much significance to the quantitative magnitudes produced by PPBS techniques and again it is feared that system techniques could further de-personalize the relations of programmes with the people they intend to serve.

Another obstacle to effective PPBS is the lack of adjustment to the existing administrative organisation. While the approach seeks to take into consideration elements in programmes in a number of administrative agencies, implementation of the programmes may be seriously restricted by the structure of the administrative organisation - yet change in the organisation may be strongly resisted. In departments where bureaucracy is traditionally strong and largely autonomous (e.g. U.S. Treasury). any administrative change or greater centralisation of power may be virtually impossible in practice. Furthermore, there may be no single organisational structure that will be entirely satisfactory for implementation of programme budgeting. A particular activity, by its very nature, may necessitate participation by several departments and concentration of the activities in any one department to facilitate programme budgeting might seriously impair, rather than improve the overall attainment of the objectives. Yet failure to concentrate the activities may prevent implementation of programmes.

On the whole, programme budgeting and PPBS may make very significant contribution to rational decision making about government activities and expenditure, but they cannot solve all problems; they do little to define objectives in light of preferences of society for various public goods or to lessen the

uncertainties about the benefits from many governmental activities. But they do increase the rational element in governmental decision making.

2.5 REVIEW OF SPECIFIC RELEVANT THEORIES AND MATERIALS

Though many works have been done in the area of public expenditure as far back as

18th Century but most of them left some areas uncovered. For example, Adolf Wagner (1890), formulated his public expenditure law as early as 18th Century before it was reformulated by R.M. Bird (1971) and others.

Adolf Wagner (1980) uses historical approach to establish an expenditure law for the government. Wagner's law of expanding state activities generates a lot of controversy on whether he was writing about relative growth of public expenditure (i.e. growth in the ratio of government expenditure to gross national product) or on absolute size of the public expenditure. Bird (1971) in his explanation of the law sees it as a growth of the relative size of the public sector, and the law states thus:

> "As per capital income rises in the industrial nations, government spending as a proportion of aggregate output will increase. That is, public spending tends to exceed unity."

He says this is a result of "the pressure for social progress and the resulting changes in the relative sphere of private and public economy". Wagner attributes this to the provision of international security, law enforcement, state participation in the production of goods and services, public goods (pure and impure) such as the national defence, public health and education. Also, government promotion of culture and welfare, especially with respect to education and income redistribution are seen as some of the factors that contribute to rapid increase in government expenditure. Lastly, Wagner emphasises that investment is very important when considering the factors that are responsible for continuous increase in public

spending.

It has been argued by his critics that the law can only work under the following situations:

(i) Rising per capital incomes.

(ii) A particular kind of technological and institutional change, and

(iii) democratization of the polity.

In view of the above facts, it must be noted that the so-called "laws" are simply Wagner's opinions. They are what he thinks should happen as the economy becomes industrialised. Besides, Wagner views the state as having its own distinct preferences and tastes quite different from the individuals making it. He therefore introduced the concept of the "organic state" as a superior individual with a "general will" of its own. The validity of the organic theory of the state is seriously questioned by the Wagner's critics.

In addition, apart from the fact that Wagner does not recognise the effect of wars on the growth and pattern of public expenditure, the law as originally formulated is not subject to rigorous testing. However, it can still be investigated whether the increase in public expenditure in recent times is due to increase in demand for social services as predicted by Wagner or not. It has been argued that Wagner stresses the market failure rationale. Musgrave (1959), one of the critics of the law concludes thus:

> "The theory of expenditure growth remains a fascinating but some what elusive problem. Even if economic factors only are considered, it is difficult to arrive at an expenditure law. Inferior goods are the exception in public as well as in the private sphere so that there is every reason to expect a positive association between the absolute levels of public outlay and per capital income. But matters are far from obvious once the ratio of expenditure to GNP is considered. Disaggregation is needed as hypothesis

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and transfer outlay - and the weights of these components are subject to change, so that the overall pattern is left in doubt".

Though, there is an observable income elasticity in excess of unity by Wagner, this may be a necessary condition but not a sufficient condition for proving income to be the only cause of increases in government expenditures. Variations in income elasticities within and among nations have been found to be so great that doubts are expressed whether data supports Wagner type income expenditure relationship.

Martin and Lewis (1956), are of the opinion that the level of income is not a determining factor of a nation's expenditure, especially its basic expenditures, but rather its prevailing conception of the role of the state in socio-economic development. They stress that:

> "The main reason why these (developed) countries now spend relatively more on their public service than they did a hundred years ago is not that they are richer, but they have different conception of the duties of the state. The citizens did not take it for granted a hundred years ago that public authorities must pay for schooling for every child, that they must pave and light the streets of every village with a thousand inhabitants, or that they must maintain those public services which have brought the infant mortality rate down from 250 to 30 per thousand. But this change in ideas is not confined to the richer countries and is not proportional to income per head. It has affected the poorer countries just as much as it shows up in the just as great an increase in the ratio of public expenditure in poor countries as in rich countries."

Williamson (1967), in his contribution provides another reason for rising public expenditure. His work is based on the rising public expenditure/national output ratio. He argues that productivity is very low in some public sectors, therefore, to maintain the existing service per head, proportionately, more expenditure is required. It must be noted that the situation observed by Williamson is not healthy for any economy. Any nation where their is a positive relationship between public expenditure growth and low productivity, economic development will be a thing of the past.

In Peacock and Wiseman's (1961), displacement hypothesis, time profile of the growth in government expenditure in U.K. is studied. They discovered that government expenditure in the U.K. grows in discrete steps rather than continuously, with the steps or plateau occurring at times of social disturbances caused by wars and depressions. Their definition of displacement involves "large scale social disturbances such as wars". Such disturbances create a displacement effects by shifting the levels of public revenues and expenditure to new ones. The basic thrust of displacement hypothesis lies in the concept of tolerable burden of taxation.

People generally become more tolerant to a higher level of taxation than they would have been thought intolerable during the period of social crises. Peacock and Wiseman contend that once the levels of expenditure and tax have risen to a higher level following social dislocation, it is not likely that they will fall back to the predisturbance level.

In fact, public expenditure have exhibited tremendous growth and in as much as growth has shown a ratchet pattern, the reliance on social disturbances such as wars and depression as the explanatory variables is not satisfactory. Developing countries for example have experienced more shifts in expenditure levels than the political and economic disturbances experienced in those countries. Furthermore, the displacement effect as construed by Peacock and Wiseman rest upon a tax constraint exercise by the electorate upon the lawmakers which assumes the existence of democratic system of government. But in developing nations, Nigeria for example, the existence of military dictatorship and external pressures from foreign powers that reduce the power of ballot box to nothing leaves many

questions unanswered by the hypothesis. In addition, following the context of Keynesian economics there is no reason why expenditure should be limited to tax revenue alone. Hence, the Peacock and Wiseman's hypothesis is inadequate as a general theory of public expenditure.

In a similar work, Goffman and Mahar (1971) contend that increase in public expenditure in developing nations in the mid-fifties was as a result of rapid increase in customs duties following large increase in imports without any revision of tariff rates. They emphasis national demonstration effect due to foreign influences as an important factor influencing the level and composition of public spending in these countries. It is also important to note that Goffman and Mahar confirm that there is positive relationship between income and the level and composition of public expenditures.

At this juncture, it must be noted that all the so-called Theories of public expenditure are far from being satisfactory. They merely demonstrate how aggregate public expenditure should be determined if a given social welfare function is to be maximised. There has been no adequate attention given to the way in which public expenditure decisions are evolved. Hence, they serve very little purposes for their basis of explanation of public expenditure growth.

One of the real and early works in the area of public expenditure is the Fabricant's work (1952) that studies the factors affecting state and local government expenditures. He employs multiple regression as his tools of analysis to explain the various determinants of public expenditure growth. His analysis confirms that per capital income is the major factor affecting inter-state differences in public expenditure. Other minor factors such as urbanisation and population density,

account for about 70 per cent of the variation in expenditure.

In his work on "Inter State Variation in state and Local Government Expenditure", Fisher (1964) questions, the validity of Fabricant's three factor-model. Fisher increases the numbers of the variables to seven by including demographic variables as against the three used by Fabricanant. His findings are that demographic variables are more important in explaining variation in public expenditure while socio-political variables are less important. For example, he finds out the expenditure levels and percentage of low income families. However, Fisher's seven-variable - model has much higher explanatory power than Fabricanant's three-variable-model.

The first known comprehensive work on public expenditure in Nigeria is done Sir Alam Pim (1948). He examines the expenditure policy of the Federal Government between the year (1930 and 1940) and disappointedly states that the financial provision by the government for the primary production is relatively low.

Teriba's (1967) of the former Western Nigerian Public Expenditure from 1949-1962 is a pioneering work at the state level in Nigeria. With the available data, Teriba observes that there are certain forces influencing public expenditure growth in that Region. He further stresses that socio-political pressure coupled with an era of financial buoyancy are the main explanatory factors in explaining the rise of public expenditure in the Region.

In a similar study by Olowononi (1978) in the old Kwara state, the rapid growth in public expenditure is associated with the government commitments to social, economic and administrative services. He contends that as government involvement increases in providing social services such as public health, education,

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housing and community development in recent years, there is also increase in grants-in-aid to the government.

Olowononi stresses the role of increase in the state revenue due to transfers from the Federal Government as very important when considering the basis for public expenditure growth in Kwara state.

Joseph (1992) in his study of the growth and structure of public expenditure in Gongola state finds out that there is increase in public expenditure in the state as a result of expansion in the public service, increase in demand for social services and increase in Federally allocated revenue to the state.

At this point of our discussion, it is important to point out that apart from Olowononi and few others who have done some work on the budgetary processes at the state level, there is no up-to-date and acceptable procedure for efficiently estimating state government income and expenditure which is part of the main focus of this research work.

In his work, "The Growth of Public Expenditure in Western Nigeria", Teriba (1967) was able to find out some of these difficulties. Also, so many, general laws of expenditure have been formulated. For example Wagner's hypothesis (1980), Displacement hypothesis by Peacock and Wiseman (1961), Martin and Lewis (1956), Williamson (1967), Goffman and Mahar (1971), etc. Therefore, we are not trying to formulate any expenditure law or hypothesis. The preoccupation of the study is to empirically analyse the expenditure pattern of the state within the period of 1980 and 1996.

Our own view of public expenditure includes all expenditures on goods and services, transfer payments and capital expenditure made by the Kaduna state. All expenditures incurred by various institutions as stated in the annual budget are also included. Our analysis excludes all the expenditures incurred by the state enterprises. Financial transactions in private enterprises such as loans, advances and purchases of shares are excluded. This study also excludes the local government expenditures because, apart from incompleteness and unreliability of the data on expenditures of this tier of government, the recent development in the country where local governments collect their allocation directly from the Federation account contributes seriously to non-accountability of the local government officials.

The study covers the period between 1980 and 1996 in order to examine the expenditure pattern of the state shortly before the structural adjustment programme was introduced and during the SAP period. The significance of the events during the SAP period in economic history of Nigeria and Kaduna state in particular makes the choice of 1980 - 1996 appropriate for our study. The year 1980 marked the end of oil boom in the country and the beginning of the world economic recession at large. As it was earlier mentioned, by 1982, aggregate expenditure was at variance with domestic productivity at constant market prices. The controversial SAP was introduced in 1986 with all its conditionalities. Furthermore, the choice of 1980 - 1996 will give us the opportunity to see the expenditure patterns of the old and new Kaduna state since the latter was created in 1987.

In this study, our main concern is total public expenditures. This is so due to our realisation of the fact that a large percentage of the fund at the disposal of the state government in financing both recurrent and capital expenditures are from Federation Account.

Therefore, making total public expenditure our target in this study is a way of knowing how judicious the Kaduna state is utilising that part of the national resources in her care.

It is pertinent at this juncture to point out that in most cases, the government actual expenditures are not available. It has been observed that before 1987 when the new Kaduna state was created, keeping of records was treated with levity. Therefore, except for few years after the creation of the new Kaduna state in 1987, we cannot lay our hands on actual expenditure figures thus 'estimates' are used in our analysis.

CHAPTER THREE

BUDGETARY PROCESSES IN KADUNA STATE

3.1 INTRODUCTION

One of the main factors for the formulation of sound and enduring financial policy is the availability of pertinent, accurate and comprehensive financial and economic data. It is not enough that the machinery for the collection of adequate data exists but it must also be seen to be efficient. The Budget Department of the Ministry of Finance and Economic Planning therefore, has the onerous task and responsibility for collection of data from the various agencies of the government. It is also its duty to appraise and process these data materials and preserve them for records towards making them available when needs arise, for use as vital management information for the assessment of performance, decision making, future references and most importantly for forward planning purposes. The efficiency of the Budgetary Processes starting from the planning stages would entirely depend on regular inflow of these important management information from operators of the budget.

In Kaduna state, the Budgetary Processes against the next fiscal year start around the month of July of the current year and end in December. By January, the budget for that fiscal year is ready for announcement to the public.

Budget conception begins with a review of the previous budget, the actual expenditures of which are matched against their estimates to assess performance, identify the weak links and decide on the re-arrangement to be made to ensure greater control in budget implementation. While in some states and at the national level, a mid-term review has been introduced to serve as a spring-board for the

take-off of the next year's budget, Kaduna State uses the monthly returns of expenditure and revenue as a guide to the Budget Department to start conceiving necessary adjustments for the on-coming financial year.

The preparations of the budget start with the reception of the National Budget Guidelines from the Federal Government - usually around July/August each year. In the Guidelines Circular, percentages to be allocated to Recurrent and Capital services are indicated. Specifically, percentages are given for expenditure allocations to Personnel Costs, Consolidated Revenue Fund Charges, Overhead Costs, Stabilization Fund and Capital Development Fund. In the last five years, the percentage allocations to each of these has not been more than 15 per cent for Consolidated Revenue Fund, not more than 30 per cent for Personnel Costs, not more than 25 per cent for Overhead Costs, not less than 10 per cent for Stabilization Fund and not less than 20 per cent for Capital Development Fund.

At about the same time, the state government receives from the Federal Government also a projection of the Statutory Allocation from the Federation Account that is expected to accrue to the state government in the coming year. Once these three sources of information mentioned above are put together, the processes of bugeting can then be set in motion. This would enable the Budget Department of the Ministry of Finance and Economic Planning to prepare a projection of the internally generated revenue that is expected to accrue to the state government for the coming year. These important fiscal information are used in preparing a circular calling on Ministries and Departments to submit thier Budget Proposals (Appendix IIIA).

When the Projected Revenue Estimates of the state are finally arrived at, a Budget Call Circular is issued by the Honourable Commissioner of Finance to all the Ministries and Parastatals for submission of their Advance Proposals. The Call Circular provides the necessary guidelines for the next year's budget and the procedure to be followed in the preparation of Budget Proposals. The Call Circular for both Recurrent and Capital Estimates may be different but since the inception of the Rolling Plan in 1990, there has been one Call Circular annually for both Recurrent and Capital Estimates. Budgetary ceilings are provided for both Recurrent and Capital Expenditures to guide all the Government Agencies. A time-table for the Estimates Committee meeting with Ministries and Parastatals to defend their Budget Proposals is usually attached to the Call Circular.

The Ministries and Parastatals are required to make timely submission of their dvance Proposals to the Ministry of Finance. Between the interval of dispatching Call Circular and the deadline for receipt of submissions, other relevant angements to the budget exercises, such as assemblage of additional formation, convenance of the Estimates Committee meetings, modalities for the screening of proposals etc. are carried out.

In Kaduna State, owing to the great importance attached to budgeting, the Estimates Committee - currently made up of three (3) Commissioners - Commissioner of Finance as the chairman, Commissioners of Works and Education as members, Director-General, Ministry of Establishment, member, the Secretary to the State Government, member and the Director of Budget, Secretary, - is usually a high-powered committee. The composition of the Estimates Committee may be modified by the Call Circular but the Honourable Commissioner of Finance, Secretary to the State Government and Director of

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Budget are permanent members of the Kaduna State Estimates Committee. At the end of the Estimates Committee meetings, a Draft Budget is prepared and submitted to the legislature or State Executive Council for consideration and approval. Once the budget has been approved and the relevant Finance Warrants signed by the Governor or Administrator as the case may be, the process moves into the execution or implementation stage.

We must bear it in mind that no matter how well-structured the procedure, how strong the consultative ability of the actors in budgetary processes and however the willingness of the people to compromise, the effective decisions on budgeting will in the end be made by a few powerful and influential individuals whose recommendations are likely to be accepted by the Executives without any alteration. In addition to our brief introduction, an approach to budgetary processes which emphasizes the institutional framework in which the budgets are compiled and the role of the actors in the budgetary processes will be undertaken to examine the budgetary processes in Kaduna State.

In view of the above, this chapter is divided into five sections. Section II explains the legal Framework that surrounds the budgetary processes. Section III and Section IV give full account of how Recurrent and Capital Estimates are prepared respectively. In section V, Budget Implementation in Kaduna State is our focus while in sections VI, VII, VIII, Budget Monitoring, Evaluation and Responsibilities of Accounting Officers in Budgetary Processes will be our concern while section IX, appraises the existing budgetary procedure and offers suggestions for improvement.

3.2 THE LEGAL FRAMEWORK

It is general knowledge that majority of implementors of the annual budget do not attach any legal importance to the document or its implementation. As a result of this the budget is often subjected to various abuses and violations in the course of its implementation. These contraventions range from overcharge of financial provisions to outright distortion of its objective principles. At times there are gross departures from agreed and approved plan of expenditure to the extent that a mockery is made of the time used and efforts put into the processes of budget formulation and preparation to the stage of approval. Infact, one cannot lose sight of inevitable factors such as the spiral inflation, climatic hazards, pests invasion, natural and some times artificial inflictions and catastrophies which are beyond human control. These problems call for urgent and decisive action which were not anticipated at the time the budget was prepared and approved, yet it must be emphasized that the degree of distortion to the budget must be at the barest minimum, if the principle of budgeting is to be upheld. The legal framework for the formulation, preparation, approval and implementation of a budget are derived from three legal instruments.

The 1995 constitution of the Federal Republic of Nigeria makes it mandatory for the State Government or State Military Governor (as the case may be) to prepare and present the Estimates of Revenue and Expenditure of an in-coming financial year to the Legislature (the Executive Council under the present dispensation) not later than 60 days before the expiration of each financial year.

The preparation of the Estimates itself is governed by the Financial Instruction which is a subsidiary to the Public Finance (Control and Management) Law. It is

to be noted also that no public expenditure could be incurred without compliance with the above cited constitutional provision unless, of course, subject to the conditions specified under Section 120. The Constitution also contains provision for the creation and operation of Consolidated Revenue Fund at its Section 118. Establishment of a contingency fund for special purposes is also a product of Section 121 of the Constitution. Failure to comply with these provisions or violation of any of its prescriptions, particularly the deadline for preparation and presentation of the budget would amount to a Constitutional breach.

The Appropriation Edict gives legal backing to the Estimates of Revenue and Expenditure for any given financial year after it has been passed by the state legislature or state Executive Council as the case may be. The ensuring budget document would have no legal authority for implementation until the Appropriation Edict is signed into law by the Governor or Military Governor. The Appropriation Edict is a legislation which sets forth in its schedule the sums appropriated to each Head of Expenditure and specify how sums may be drawn from each Head and generally authorising adjustments of financial provision (in exceptional circumstances) within the overall budget framework.

This concession must be seen as an exception and not as a rule. It must be emphasized therefore, that the Appropriation Edict does not permit over-expenditure on Heads of Expenditure or, in the extreme, on the overall budget for the year. Even the unforeseen circumstances which have been described above are expected to be accommodated within the total sum appropriated for the year unless there is clear evidence of improvement in revenue collection.

Budget implementation is the most important aspect of the budgetary processes because this is the stage where the generality of Governments officials would be involved. It is the practical stage where funds are actually released for the execution of projects. Budget implementation is governed by chapter 108 of the Public Finance (Control and Management) Law as well as chapters 5 and 6 of the Financial Instructions.

Immediately after the signing of the Appropriation Edict is the preparation and signing of the Financial Warrants which finally signifies the commencement of financially transactions for the year. Unlike the Appropriation Edict which is general information material notifying the financial plan for the year, the Finance Warrants are the authority of the Accountant General to start disbursement of funds for services as detailed in the Warrants. the relevant Financial Warrants which give legal backing to the budget are:-

Finance Warrant-1 (Appendix IIIB) - General Warrant (Consolidated Revenue Fund) which authorizes disbursement of funds for Recurrent Services - section 112(2) of the constitution of the Federal Republic of Nigeria, 1979 (as modified by Decree No11 of 1984) as well as section 4 of the Public Finance (Control and Management), Law confers on the Governor the power to release funds for recurrent services through Finance Warrant 1.

Finance Warrant-4 (Appendix IIIC) - Statutory Expenditure Warrant, which authorises disbursement of funds for payment of salary and allowances of statutory office holders, pensions and gratuities and other

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statutory payments - the same section 112(2) of the constitution of the Federal Republic of Nigeria 1979 (as modified by Decree No.1 of 1984) as well as section 13 of the Public Finance (Control and Management) Law empowered the Governor to release funds for statutory Expenditures.

Finance Warrant-9 (Appendix IIID) - Capital Development Fund General Warrant which authorises disbursement of funds for capital development - The same section of the constitution of the Federal Republic of Nigeria and Public Finance (Control and Management) Law still empowered the governor to release fund for Capital development. It is important to mention here that there are other finance warrants that may be used when the need arises.

Finance Warrants 11 - (Appendix IIIE) - Capital Development Fund Provisional General Warrant. The rule 8 of the Second schedule to the Public Finance (Control and Management) Law as amended by the Control and Management of Finance (Amendment Law, 1965) confers on the state Governor the power to authorize the release of fund provisionally from the Capital Development Fund pending the approval of Capital Expenditure Estimates.

Also, there is Special or Virement Warrant for provisional and supplementary appropriations, release of reserved provisions and re-allocations of funds within subheads of an Expenditure Head as well as within Heads of Expenditure within the budget itself. This section will not be complete if we do not mention the enormous power and financial management responsibilities that the already cited chapter 108 of the

constitution puts on the commissioner of Finance. The commissioner can invoke his powers under this law at any time when the need arises. One of such powers is the right of the commissioner to suspend or withhold expenditure on any subhead, notwithstanding the fact that authority has already been attained for such an expenditure, if he considers that financial exigencies or public interest so dictates.

3.3 RECURRENT BUDGET PREPARATION

In Kaduna State, Budget preparation and submission is basically an executive responsibility, undertaken by Departments, Ministries and Agencies under the close supervision of Ministry of Finance. The Honourable Commissioner of Finance sets the ball rolling through the Call Circular asking for Advance Proposals from all Government Agencies with explanation on the guidelines and principles on which the budget has to be prepared. As pointed out before, the Ministry of Finance has been issued only one call Circular annually for both Recurrent and Capital Estimates since the inception of Rolling Plan in 1990. Programme priorities in terms of those that are, care and rehabilitation projects: other ongoing priority projects that have gone beyond 70% completion and can be completed before the end of the current fiscal year and ongoing projects that are critical to the fulfilment of the statutory responsibilities of an agency are explicitly stated.

All proposals which have policy implications must be considered and approved before inclusion in the annual Estimates. If there is any need to increase expenditure, the increment must be offset by a reduction elsewhere or increasing revenue.

Recurrent expenditure is provided for in Recurrent Estimates which are prepared as follows:

Advance Proposals set out the changes proposed from the current year's Estimates. These are submitted in two parts. These are Advance Proposals having establishment implication i.e. proposals including all allowances provided for under Personal Emoluments sub-heads and proposals for Other Charges and Special Expenditure. Items or Other Charges sub-heads that are not proposed to change from the Establishments in the current year's Estimates should not appear in the Advance Proposals. It is pertinent to note that in Kaduna state, parastatals and all income generating organisations can only submit Advance Proposals for only staff salary and allowances. Advance Proposals are submitted in the format 'A','B','C' as shown in the Appendix

Format 'A'- Statement of Actual Revenue Collection (Appendix III G)

This format 'A' goes mainly to the Government Parastatals and all income generating organisations. It shows among other things the Head, Sub-head. Revenue Source, Current Year Estimate, Actual Collection per month from January - October and projections for the coming year. It is possible that the Call Circular increases the items to which information must be provided for on the Format.

These are submitted after completion to the Ministry of Finance with a covering letter from the accounting officer. (Appendix IIIF). Such letter summaries and appraises the information in the Format.

Format 'B'-Statement of Actual Recurrent Expenditure (Appendix IIIH)

Advance Proposals showing the statement of Actual Recurrent Expenditure of the

current year and projection for the coming year are prepared and submitted to the Ministry of Finance in the Format 'B'. This format shows Sub-Head, Details of Expenditure, Actual Expenditure per month from January - October and projections for the coming year. The projections under any Head or Sub-Head must strictly be in line with the ceiling set out in the Call Circular.

Format 'C' - Staff List Schedule (Appendix III I)

Personnel Costs can only ascertained if there is perfect and adequate information about the staff in each establishment. This is why the call Circular always emphasizes this important management information. It is the usual practice to attach the staff list schedule as shown in Format 'C' with the Call Circular. Therefore to justify agencies recommendation or any change in the projected Personnel Costs, Advance Proposals must be accomplished by a comprehensive and up-to-date staff list and leave roaster.

Increase in establishments are justified by showing that increased duty posts are essential and also that all posts can be filled by recruitment during the year. Establishments may be reduced in cases where experience has shown that existing posts are unlikely to be filled. The covering letter following Advance Proposals must state clearly reasons for increase in any post or changes in grading or titles in a way that will be acceptable to the Estimates Committee.

Advance Proposals in respect of other charges and Special/Exigency Expenditure are submitted together with Personnel Costs. Proposals are submitted for every other charges Sub-Head, even where no change in provision is required. Justification for any increase in other charges must be stated. Proposals are made

for decreases when the scope of the services is to be reduced or in the case where the previous actual expenditure shows that the current approved estimate is in excess. Special/Exigency Expenditure Proposals must not be a mere repetition of what was approved in previous years.

Proposals for Recurrent Revenue and Expenditure are submitted along with all supporting documents to the Finance and General Purpose Committee in eight (8) copies. with two (2) copies forwarded to the Budget Department of Ministry of Finance and Economic Planning not later than the stipulated date for submission in the Call Circular. Copies of Advance Proposals should also be forwarded to the Secretary to the State Government, the Honourable Commissioners of Finance. works and Education and the Director General of Ministry of Establishment. All inquires regarding Recurrent Revenue Projections and Expenditure proposals should be directed to the Director of Budget for clarification.

On receipt of proposals from agencies, the staff of the Ministry of Finance, and Budget and Planning Departments on their part organise preliminary screening exercises. In the process, returns from various agencies are collected and scrutinized to ensure conformity with objective principle expressed in the Call Circular. It is their responsibility to analyse and appraise using various methods - to ascertain arithmetical accuracy, input and output analysis, cost benefit analysis, consistency with the budget format and Government policies as well as other important criteria.

Following the analysis and appraisal of Advance Proposals is the preliminary discussion organised by the Budget Department. The agencies are invited to come and defend their proposals. At this forum submission are critically examined and

the agencies concerned are requested to defend or expantiate on the proposals being considered. For obvious reasons the Budget Department focuses more attention on revenue projection while the agencies tend to lay emphasis on expenditure proposals. The ceiling already prescribed in the Call Circular are ultimately used as basis for decision taking. Recommendations are made for the consideration of the Estimates Committee at the end of this first exercise.

The Estimates Committee meetings as set out by the time-table annexed to the Call Circular discuss in details the recommendations that emanated from the preliminary discussions. Infact the outcome of the preliminary discussiion not only prepares the ground for the Estimates Committee meetings but also offers enormous assistance in terms of time saving, for the committee assignment.

The committee concentrate more on reconciling disagreements, misunderstanding and discrepancies which might have developed in the course of the earlier discussions. The final decisions of the Estimates Committee in respect of each Head of Revenue and Expenditure are documented in a book form called Draft Estimates for the year in question and forwarded as recommendations in forms of memorandum to the State Legislature (where there is one) or the State Executve Council (in the present dispensation) for consideration and approval.

The State Executive Council with the State Governor or Military Governor presiding, is the authority for the final approval of the annual budget. At this high level forum, the recomendations submitted by the Estimates Committee are examined in all its aspects and ramifications. The Council checks meticulously to ensure that the proposals under considerations are entirely compatible and consistent with Government policy and principles, that the overall and

general interests of the public are accommodated and that the aspirations of Government are clearly manifested in the recommendations.

The Executive Council also puts all other essential inputs which have escaped attention at earliest stages which may be considered necessary at the meeting along with other inevitable adjustment that are considered for incorporation at this level. The Council finally gives its approval to the Draft Estimates when it is satisfied that the intentions of Government have been fully embraced and reflected in the document. The approved draft (as might have been amended and/or adjusted by council) is thereafter reprinted as Approved Estimates of the year concerned.

The printed Approved Estimates which is known as the Budget is composed of four parts - part 1, Budget in brief consisting the Governor's Budget speech, Press briefing by the Honourable Commissioner of Finance and Notes on Recurrent Estimates. part 2, Recurrent Budget in detail consisting of summary and breakdown of Recurrent Revenue and Expenditure. Part 3, Capital Budget in detail comprising Notes on Capital Estimates, summary and breakdown of Capital Receipt and Expenditure. Part 4, Appendix comprising Table of salary Grade Levels, Posts Grading Nomenclature, table of entitlement to Pension and Gratuity and other useful information.

3.4 CAPITAL BUDGET PREPARATION

THE SITUATION BEFORE 1990

In Kaduna State, prior to 1990, Fixed Term Planning was in operation. Programmes are designed for execution within a period of four or five years. Midway, there could be a review to accommodate new programmes if it has been

properly established that there was a need to do so and that the project cannot wait till the next plan period. Before the plan is reviewed, it must be ascertained that projected resources would accommodate the new project. The following steps are strictly followed before Capital Development Programmes are executed.

(i) First and foremost, general guidelines are always drafted. These guidelines explain in details what the state intends to achieve within defined period.

(ii) On approval of these guidelines by the highest decision making body of the state (the legislature or Executive Council) they are circulated to all government agencies in requesting for proposals for inclusion in the plan.

(iii) Government Agencies make their proposals based on the guidelines and forward them to the State Planning Agency for assessment. Projects received are compiled and tabled before the State Planning Committee.

(iv) The State Planning Committee meets with all the Agencies concerned and thoroughly discusses their proposals. The projects that sail through at this level would be passed on to the highest decision making body of the state. The programmes are then considered and approved bearing in mind their cost implications and the policy of the Government. The approved projects would be printed as the state plan. It should be noted that there must always be close liaison with the National Planning body at every stage of plan preparation.

Yearly Capital Budgets are usually selected from the general plan. As much as possible, new projects are expected to be excluded till

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the planned projects have been fully executed. If it is felt that any project must be admitted before the year runs out, the following steps must be taken.

(i) The affected Agency would produce a draft memorandum and circulate for comments Particularly to the Ministries of Finance and Economic Planing and Works.

(ii) When comments are received, the memo would be presented to the Executive Council, with comments attached as annexes. If the project receives the blessing of the Executive Council, it becomes part of the plan.

3.4.2 THE CURRENT PRACTICE

Since 1990, Kaduna state has been operating a three year Rolling Plan. Contrary to the former five years fixed term plans, when projects were compiled once in five years, the Rolling plan permits yearly review of the plans to drop or admit new projects. It implies that the projects being dropped have been assessed and found not to be necessary toward achieving the set goals or objectives of the state and therefore, new ones may be initiated. From the above, we can say that the state has already set out specific objectives it wishes to achieve in one, two or ten years to come.

The preparation of the capital budget follows virtually the same process as in the former dispensation enunciated above. However, the basic differences are:-

(i) The Rolling plan concept explicitly permits yearly review while the fixed term plan does not.

(ii) Phasing of the base year is automatically assumed to be the capital budget

of that year. This is not so with the fixed term plan.

It must be noted, as mentioned above, that the Rolling Plan permits Government Agencies to change their earlier submission if need be. This fact was stressed in 1995 Ministry of Finance Call Circular (Appendix IIIA). The preparations and submissions of Capital Expenditure Estimates are based on the formats D, E, & F as shown in the Appendix.

Format 'D' - The Capital Receipts Projection (Appendix III J)

The Capital Receipts Projection are submitted in the pattern laid out in Format 'A'. In the process of projecting for capital receipts there is usually deviation from the yearly capital budget base. These receipts usually form the capital base for the capital expenditure. The yearly capital receipts projection normally include:-

(i) Opening balance from the previous financial year.

(ii) Transfer from Recurrent Budget Surplus.

(iii) Internal loan.

(iv) External loan.

(v) Grants

(vi) Capital works undertakings

(vii) Miscellaneous.

It is important to mention here that where loans and grants are lacking, the projects in most sectors are left unimplemented. Therefore, it is essential and imperative that Ministries and Departments strictly comply with the Call Circular ceilings in making their Advance Proposals. It is pertinent to ascertain the probable levels of

Federal Government assistance or grants to the state to enable them present realistic and acceptable figures.

CAPITAL EXPENDITURE

Capital Expenditure are submitted and processed as the National Rolling Plan Projects. The particulars of the projects are shown in the Format "E" and "F".

Format "E": National Rolling Plan Project Particulars (Appendix IIIK)

This format shows how the particulars of both ongoing and new projects are prepared and submitted in Advance Proposals. The Advance Proposals as shown in Format "E" expressly explains the financial commitment, sources of fund, estimated date of completion, implementations plans and priority attached to each project. All capital projects that are likely to be completed by the end of the current year must be clearly shown since such projects are likely to give way for new ones. In the case of ongoing projects, government agencies concerned must state the financial commitment so far, source of fund, schedule date of completion and detail physical achievement on the project to date.

Format "F": National Rolling Plan 1995 - 1997 Kaduna State Programme (Appendix IIIL)

Once the Ministry of Finance receives its own copies of all Advance Proposals, the Planning and Research Department will compile and analyse all the agencies proposals before passing them on to the State Planning Agencies for assessment. After thorough scrutiny, the State Planning Agency would put its recommendation in the Format shown as Format "F" - before finally presenting it to the State Planning Committee for further discussion. The State Planning Committee meets

with all agencies and thoroughly discusses their proposal, most especially the cost/financial implication of the projects. Selected projects are presented to the highest decision making body of the state for approval and inclusion in the annual budget estimates.

3.5.1 BUDGET IMPLEMENTATION

Each time one reads a budget review in any literature, there is always this accusation of "glaring budget indiscipline", which simply means that budgeted expenditures do not get implemented and those that are not planned /budgeted, are implemented. Worst still, such projects implemented may bear no relevance to set objectives and may be of little use to the generality of the populace. Therefore, implementation of the budget has always been a major concern not only to the outsiders, but also to civil servants who are also the authors of the documents. The problems involved in budget implementation make many civil servants not to see the need for its preparation at all. They therefore attach little or no importance to such exercise. Subsequently, no good records on the budget implementation are maintained. In view of the above mentioned problems, budgetary processes would not be completed without mentioning this important aspect.

The implementation of the budget begins after the governor has signed the necessary warrants as mentioned before. Implementation of the budget is the responsibility of various government agencies who make periodic requests to the Fund Allocation Committee based on provisions in the approved budget. But it was found out that at the time of writing, in place

of Fund Allocation Committee, funds are released for capital projects based on the approval of His Excellency the Military Administrator, based on government priorities and availability of funds. Though, it was confirmed from our discussion with Director-General (finance) that the Fund Allocation Committee would assume its normal responsibilities as soon as possible, and membership of the fund allocation and revenue committee when it was last reconstituted as per exco conclusion C(92)E of 10th August,1992 consist of:-

(i) Commissioner of Finance.....Chairman
(ii) " " commerce.....Member
(iii) " " Agriculture....."
(iv) " " Health ....."
(v) " " Education..... "
(vi) " " Justice ....."
(vii) " " Works & Transport....."

The functions of the committee were to provide proper control of public funds and to safeguard the government from any financial embarrassment. it was also the responsibility of the committee to examine the cash flow of the government and recommend the strategy of funds allocation.

Recurrent services are funded monthly using processed data already existing in the Budget Department of Ministry of Finance. All releases are cleared by the Treasury Department of the same Ministry when vouchers are presented by the benefiting agencies. In addition to this clearance, the salary and allowances monthly returns from the government Agencies also play a significant role in getting allocation released. By the 15th of each month, it is expected that all

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Government Agencies would have made their expenditure returns submission.

This would give the Ministry of Finance sometime to study and make clearance before salary payment. All the protocol mentioned above notwithstanding, it is not all that difficult to implement Recurrent Budget in Kaduna State. It is the mode of implementing Capital Budget that is problematic.

3.5.2 MODE OF CAPITAL BUDGET IMPLEMENTATION

A project in the budget can be executed either by direct labour or contract. Whether by direct labour or contract, before execution commences, it is absolutely necessary that clearance be sought from the Ministry of Finance and Economic Planning. Executing Agencies are therefore required to write the Ministry of Finance asking for permission to commence execution of a project. Among other things, such a letter should state clearly the:

i. Estimated total cost of the project.
ii. Anticipated contract sum.
iii. Possible completion period.
iv. Vote of Charge, etc.

The Ministry of Finance may ask the Executing Agencies to go ahead if it satisfies with the project. Until the clearance is issued, it is expected that no execution of any project should start.

It is important to seek for permission from the Ministry of Finance because budget is only a mere statement of intent, all other things being equal. If clearance is not given, expenditure would be committed only to discover in the future that there are no

founds to pay. When such requests are received, the Ministry of Finance carefully looks at the revenue profile to see if funds would be available to pay when the job is completed.

The yearly budget is a law. It is expected that all monies must have been budgeted before they are spent. To comply with the law, the Ministry of Finance looks at the request and certifies that is covered by the law. Where such expenditure is not covered, necessary steps would have to be taken to secure legal backing before funds are spent. Depending on the circumstances, a virement warrant may be required or supplementary budget may have to be prepared.

Also, Government expenditure is always classified/broken down into small units in order to make accountability easy. The Ministry of Finance is therefore interested in knowing whether such proposed expenditure was provided for in the budget before permission to commence execution of any project can be given.

3.5.3 EXECUTION BY DIRECT LABOUR

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Sometimes the Government finds it expedient to execute its development programmes by direct labour rather than giving them out on contract. Projects that are being considered for execution in this manner must have detail estimates prepared. Each anticipated item of expenditure must be clearly spelt out with its cost. Lumping items together is no acceptable. Executors of the project should also be named particularly where the owners of the project are different and the executors are different. A time frame within which the project must be completed should be indicated.



3.5.4 EXECUTION BY CONTRACT

In most cases, Government may decide to contract out the execution of some of its projects, owing to lack of executive capacity or the desire to see that projects are implemented quickly. Contract can be awarded at various levels without recourse to the higher authority. However, it is mandatory that the higher authority be informed of such awards. The following limits are currently applicable in Kaduna State:

(i)	Director	N1 - 30,000
(ii)	Director-General	N30,001 - 50,000
(iii)	Commissioner	N50,001 - 150,000
(vi)	Ministerial Tenders Board	N150,001 - 250,000
(v)	State Tenders Board (Finance and General Purpose Committee)	N250,001 and above

For items (i) -(iii), individuals occupying such offices exercise such powers solely but they are require to report such awards to their immediate superiors within one week from the date of award. For items (vi)-(v), there are members that make up the boards.

The Ministerial Tenders Board is made up of the following as members

(i) Director Generals..... Chairman
(ii) All Heads of Department ..... Members
(iii) Secretary to state Government ..... Member
(iv) Representative of Ministry of Finance..... Member
(v) Representative of Ministry of works ..... Member
(vi) Director of Planning and Research .... Secretary

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Ministerial Tenders Board Meetings cannot hold in the absence of the Secretary to the State Government or his representative. It is also mandatory that briefs for meetings are sent to all members at least forty-eight hours (48) to the meeting time. It is also equally important that briefs meant for the meeting are deposited directly with the officers concerned.

It is expected that the Ministerial Tenders Board, before it awards any contract, would ensure that:-

i. Such a contract is duly registered with the Finance and General Purpose Committee.
ii. Tax Clearance Certificate is in order.
iii. Processing fee has been paid.
iv. No contracts above ₦250,000.00 are awarded at this level.
v. That no contract is broken down in order to beat the law.

The Kaduna State Finance and General Purpose Committee (F&GPC) was established by Decree No.28 of 1990 to replace the State Tenders Board. Its members are as follows:-

i.	Deputy Governor	Chairman
ii.	Commissioner for Finance	Member
iii.	Commissioner for Justice	Member
iv.	Commissioner for Works	Member
v.	Commissioner for Education	Member
vi.	Secretary to the State Government	Member
vii.	Director (Finance & Economic Planning)	Secretary

The Finance and General Purpose Committee is the most powerful committee in terms of finance in Kaduna state. It handles all contracts above the limits of the Ministerial Tenders Board i.e. above ₦250,000.00. Consideration of all contracts above the limits of Parastatals and Extra Ministerial Departments are part of the responsibilities of this committee. It performs all functions of the Estimates Committee and penalises Ministries/Departments or officials who violate the functions of the committee particularly with regards to the splitting of contracts or in implementing approved contracts. Even the Institutional Tenders Boards like that of Water Board, Transport Authority, Rural Electrification Board have a set limit beyond which documents have to be forwarded to the Finance and General Purpose Committee for processing.

3.5.5. PAYMENT

Normally, payments of claims for job executed by contractors are usually done by the Ministry of Finance. Quite often, there may be delay in payment if necessary information required to process the document are not available. The information required depend on the nature of the job. Among other things the information needed to process any payment are-:

(i) Estimates of jobs executed.

(ii) Contract agreement/Job Order/Local Purchase Order.

(iii) Invoice of contractors.

(iv) Store Receipt Vouchers.

(v) Contract Notification

(vi) Certificate of Valuation.

(vii) Performance bond (This is required where down payment

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is involved.

viii. Where contract sum has been revised, evidence of revision

ix. Tax Clearance Certificate.

x. Evidence of payment of contract processing fee.

xi. Evidence of payment of registration fee with the Finance and General Purpose Committee.

Apart from the necessity of the information mentioned above, payment may also be delayed if the Plan/Budget Implementation Committee is not satisfied with the job done. In most cases, trouble usually arises on the quality of the job done. The members of this Committee are:-

i.	Commissioner for Finance	Chairman
ii.	Commissioner for Education	Member
iii.	Commissioner for Works & Transport	Member
iv.	Secretary to the State Government	Member
v.	Solicitor General, Ministry of Justice	Member
vi.	Director General, Ministry of Finance & Economic Planning .	Member
vii.	The Director, Planning, Monitoring & Evaluation (Ministry of Finance and Economic Planning	Member

It is the prerogative of the accounting officer to request for payment of projects executed. Request not signed by the Commissioner or Chief Executive can only be entertained if the Commissioner or Chief Executive is on leave or has to be away on official assignment for such a period that payment could not wait till he comes. In that cases, he must indicate in writing the name of the officer who has been

authorised to make request for the release of funds. The specimen signature of the officer must be provided. The Director General should be the next person where the Commissioner is not around. In the absence of the Director General, this responsibility could be given to another officer but not lower than a Director. In Parastatal and other Government departments, Secretaries of the organisations are usually saddled with the responsibility of making request for the release of fund in the absence of their Chief Executives.

Immediately funds are made available, individuals or firms for whom request were made should be paid. The fund released must not be diverted for the payment of other jobs by the accounting officers.

3.6 BUDGET MONITORING

Budget Monitoring is the aggregate appraisal of performance of the budget which takes place during various stages of implementation. With the release of funds, efforts are made to ensure that they are applied properly and utilized judiciously, effectively and efficiently. The primary motive of the budget monitoring is to assess the progress of implementation, the degree of achievement of the original objectives with a view of correcting defects. The objective of monitoring is to ensure sound and healthy implementation of budget. Monitoring is designed to eliminate or reduce cost and wastes to the barest minimum, check distortions that may arise at the implementation stage and ensure effective use of resources allocated. Monitoring ensures control which in turn ensures that expenditures are kept within the limits imposed by resources availability. Arrangements that are put in place to ensure that this is adequately performed include :-

(a) There is a Presidential Mandate Committee on

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implementation of the Monitoring Policy of the present Military Administration.

(b) A monitoring team from the National Planning Office periodically tours all states of the Federation to inspect selected projects in all sectors of the economy that are being implemented by all tiers of government.

(c) At the state, we have:-

(i) The budget implementation guidelines issued by the Department of Budget in the Ministry of Finance.

(ii) The state Implementation Committee with its Secretariat in the Department of Budget, Planning and Monitoring with the Honourable Commissioner of Finance as Chairman.

(iii) The Finance and General Purpose Committee with the Deputy Governor as the Chairman was established to help in the budget monitoring activities.

(iv) The Monitoring Unit under Planning Department of the Ministry of Finance which monitors expenditures of various Ministries.

3.7 BUDGET EVALUATION

At the end of the financial year, various monitoring reports are evaluated with a view of determining the area of strength and weakness of the last budget in order to make changes or modification in the budget.

The budget is, however, not fixed and subject to adjustments or alterations during the cause of the year. As we are aware, all implementation agencies prepare detailed implementation schedules in respect of their major capital projects and overhead costs. In cases of project cost escalation, introduction of new projects and over-expenditure for both personnel and overhead costs, the implementation agency is obliged to inform the Budget Department of the Ministry of Finance the causes and extent of the increases in cost. The Budget Department on the approval of such increase will then prepare Virement or special Warrant to cover the unbudgeted expenditure increase.

3.8 RESPONSIBILITIES OF AUDITING OFFICERS IN BUDGETARY PROCESSES

From the budgetary processes outline from the beginning of this chapter, we discovered that the Accounting Officer of each Ministry has a key role to play in the financial management of his Ministry. In addition to the functions clearly stated in the Financial Instructions and Public Finance (Control and Management) ACT, a ten point expenditure control measures is usually incorporated in the Budget Implementation Circular of the Kaduna State since 1990, to guide Accounting Officers in the handling of financial responsibilities. These measures are.-

(1) Accounting Officers must ensure that proper systems of accounts as prescribed by the Ministry of Finance are established and operated in their Ministries/Parastatals.

(ii) Accounting Officers should request for and examine their liquidity position (by way of statement of accounts) at the end of each month in order to map out priorities for operations of the coming month in order to make out priorities for operations of the coming month.

iii. All Chief Executives (or Revenue Generating Agencies) should carry out regular checks to ascertain the position of revenue collection in relation to entries in the Approved Estimates. They should similarly ensure through the examination of revenue collectors' records, that all revenue collected are duly paid to the Treasury or Bank. They must never allow collected revenue to be re-cycled for expenditure.

iv. All Accounting Officers should ensure that the instrument to authorise expenditure and other matters with financial implications are held personally by themselves rather than by just any officer at random. Where they choose to delegate this power, the Honourable Commissioner of Finance and Economic Planning should promptly be notified of the names and ranks of the delegates for purpose of processing requests for special release and clearance for staff recruitment (i.e. when the ban on employment is lifted).

v. All Accounting Officers should acquaint themselves with the way financial records are kept in order to simplify periodic checks and the ability to detect and correct mistakes.

vi. All Accounting Officers should ensure that monthly returns are submitted and should infact open dummy files to keep personal copies.

vii. All Accounting Officers should ensure due exercise to economy by arranging as far as practicable that expenditure is spread evenly over twelve months,

identify sub-heads on which expenditure is either seasonal or circumstantial and preserving their provisions until the need arises. They should observe the principle that money is not spent simply because it is voted.

(viii) Local Purchase Orders and job Orders should be issued only when funds have been made available through monthly allocations or special release or after receiving prior clearance from the Ministry of Finance and Economic Planning or else liabilities so incurred may not be honoured.

(ix) Contracts must be awarded by Ministerial/Departmental Tenders Boards or below unless funds have already been allocated. Provisions for capital projects must never be used for recurrent services such as office furniture or building maintenance. Such default may lead to surcharge for the complete amount or part thereof.

(x) Staff claims should be checked thoroughly before authorization and the checking should not be done by officers below Heads of Department.

It is important to note here that budgeting at any given interval is a creature of the prevailing Circumstances in which if finds itself and, for which its various instruments of operation are intended to address. The major task of budgetary policy is to be able, as much as possible, to reconcile the conflicts of interest through realistic application of various allocation principles.

3.9 APPRAISAL OF EXISTING SYSTEMS AND SUGGESTIONS.

Violation of the rules and guidelines surrounding budget preparation to the

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implementation stage which is tending to become common place in recent times has to be reduced to the barest minimum in order, at least, to maintain and respect the legal status of the Budget. Both the Chief Executives and Civil Servants in Kaduna State are not attaching any importance to the document. Despite the procedural methodology enshrined in the Financial Instructions for accomplishing the various intentions expressed in the Budget which need to be strictly observed, we observed that authors and operators of the document always treat this aspect with levity. For example, Kaduna State 1995 annual Call Circular came into circulation as late as November, 1994.(Appendix IIIA).

It is not enough that the machinery for the collection of adequate data exists but it must also be seen to be efficient. In Kaduna State, Budget Department rely solely on the monthly returns of expenditure and revenue to make necessary adjustments for the oncoming financial year. It has been observed that some government agencies don't remember to make monthly returns and when they do, the reliability of their figures is doubtful. At the final Account Section of the Ministry of Finance, the production of Accountant General Report, the only reliable source of financial data stopped as far back as 1989, due to inconsistency on the part of government agencies in making returns of actual revenue and expenditure. It is therefore absolutely necessary that all the government agencies cultivate the habit of collecting and maintaining accurate data on revenue, expenditure, and planned project.

Based on our study, it could be seen that Kaduna State is still using the traditional method of incrementalism. Worst still, in most cases, authors of the budget are using Estimates of Revenue and Expenditure of the current year for making adjustments for the next fiscal year. because actual Revenue and Expenditure

figures are very difficult to come by. The problem of public budgeting in Kaduna State therefore, is how to effeciently allocate the scarce resources among the various government establishments and competing projects. In order to reduce the problems associated with the traditional method of incrementalism, many scholars have argued in favour of different methods, e.g., cost benefit analysis, input-output tables, games theory, etc., in working out the budget.

As the legal framework surrounding the preparation, to the implementation stage of the budget is supported by the Financial Instructions and Public Finance (control and management) Law, there is no sound theoretical framework within which the annual budgets are prepared in Kaduna State. This is one of the problems responsible for inconsistencies, confusion and contradictions in annual budgets. It is pertinent to point out here that practice without theoretical focus is bound to jeopardise the good intentions of the authors and operators of the document.

Therefore, for budgetary processes to be successful the relevant theoretical tools are very important. The authors of the budget require a proper understanding of the total income identity which is equal to total output i.e the sum of consumption expenditure, private sector investment, government spending and export less imports i.e. $Y = C + I + G + (X-M)$. With this framework, the government interested in reducing unemployment would try to increase output, private demand, investment, government expenditure and at the same time curtail imports.

It is therefore strongly advocated that a proper theoretical framework should be the foundation of the future annual budgets. This would give a sense of direction to both the authors and operators of the budgets. The present budgetary system in the state overlooks the importance of prior determination of the "Optimum" level of

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the aggregate expenditure for any given fiscal year. This could easily be done by identifying the determinants of aggregate government expenditure.

An examination of the composition of the budgetary process, the channels, level and scope of consultation and obsession of the budgetary documents with some economic variables showed that budgeting in Kaduna State is conceived as a pure technical process of aggregating projects and programmes. Even, it was observed that the concept of budgetary implementation itself is closely tied to this orientation. Budget implementation is conceived as mere spending of fund allocated for projects i.e. money must be spent because it has been voted. This equates the execution of projects to the implementation of the budgets and thus makes project expenditure directly proportional to budget performance.

The budget is merely a statement of intentions. No matter how detailed or sincere these intentions are, their realisation is a function of honesty, seriousness, accountability and patriotism of the budget implementers. In Kaduna state, because budget originates from the dialogue among Ministries, the State Planning Committee and Estimates Committee or Finance and General purpose Committee (F&GPC), its implementation is virtually left to the individual Ministries and Departments without any central direction or control. In most cases, what is planned is hardly implemented, but that which is not planned, gets implemented. Budget implementation has been conceived as a mere spending of the fund allocated to projects irrespective of the extent to which the projects have been physically executed and a way of siphoning government money. Bade Onimode (1976) noted that, "Budgeting in financial terms has facilitated private robbery of public funds in the name of project execution which is defined in terms of spending. For the same reasons, despite many years of the so-called budgetary

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implementation, vital projects and plan targets still remain a mirage in the air." Eventually the situation is not better despite the fact that the release of fund for execution of any project is subject to the approval of the State Administrator.

In view of the above facts, if the generality of the population of the State is to take the budget document seriously and the feeling of apathy erased from the minds of civil servants, then there is a need to ensure that:-

i. Planned programmes are allocated high priority. They should first be implemented before any other programme;

ii. On a regular basis, there should be a body saddled with the responsibility of allocating funds to competing needs. Although passive, such a body already exists. All that needs to be done, is to reactivate it and make it functional. One therefore envisages the reactivation of the "Fund Allocation and Revenue Committee."

iii. Before an unbudgeted project is slated for execution during the year, procedure for inclusion must be strictly adhered to.

CHAPTER FOUR

DESCRIPTIVE AND QUANTITATIVE ANALYSIS OF PUBLIC EXPENDITURE PATTERN IN KADUNA STATE (1980-1996)

4.1 DESCRIPTIVE ANALYSIS OF PUBLIC EXPENDITURE PATTERN IN KADUNA STATE (1980-1996)

This section of the chapter examined the available statistics and other empirical evidences to analyze pattern of public expenditure in Kaduna State between 1980 and 1996. Our main concern in this section was to compare the financial behaviour of the Kaduna State against the background of the thesis of incrementalism.

A look at the Table 4.1 (Appendix M) and Chart 4.1 show the general expenditure pattern of the state over the period in question. Expressed in absolute terms, total expenditures at current prices increased tremendously over the period under review. Though the expenditure fluctuated between 1980 and 1985, but the trend was rising. At least there was no year when the expenditure was lower than that of the previous year. Besides, total public expenditure estimate of the State increased from ₦302.2 million in 1980 to ₦647.1 million in 1983, but came down to ₦272.3 million in 1985.

In one hand, the fluctuations in the public expenditures of the state within the period could be traced to the global economic recession. It could be observed that the state was worse off in 1985. Apart from the base year, 1980, the least expenditure was

incurred in 1985 as it could be seen on the graph (Chart 4.1). On the other hand, Kaduna State Government financial behaviour followed the theory of incrementalism. The fluctuations in the public expenditures represented some mark down and mark up in different financial years. Chart 4.1 also supports the incrementalists' idea. The graph was an evidence that public expenditure continues to vary from one year to the other.

The Structural Adjustment Programme was introduced in 1986 and the total public expenditure estimate for the state have been increasing progressively since then, except for the slight fluctuations in the 1988 and 1992 fiscal years. Total public expenditure rose from ₦376.6 million in 1986 to ₦2,060.4 million 1996. In absolute terms, total public expenditure estimates grew about ten-fold between 1985 and 1996. In incrementalists sense, there were mark up and mark down between 1985 and 1990 which confirms the principle of incrementalism in the state.

Also, Table 4.1 (Appendix M) revealed that government policies and priorities for recurrent and capital services were changing from year to year. Though, both recurrent and capital expenditure estimates did not exhibit any general pattern, one striking feature of public expenditure in Kaduna State was that recurrent expenditure always took up fairly large share of the governmental budgetary allocation. Between 1980 and 1990, a period of 11 years, the recurrent expenditure estimates were higher than that of capital expenditure estimates for 8 years. For example, in absolute terms

the sum of ₦212,168.9 million was set aside as recurrent expenditure estimate in 1980 while only ₦90,087.4 million was for capital expenditure estimate. Also, recurrent expenditure estimate in 1987 was ₦353,298.5 million while ₦164,458.1 million was given to capital expenditures it could be seen in the Table 4.1 (Appendix M).

Table 4.2 (Appendix N) and Chart 2 explicitly show the percentage sharing of total public expenditure into recurrent and capital expenditure estimates. The table shows that towards the end of the period under review, capital expenditure estimate was 71 per cent while that of recurrent expenditure estimate was 29.0 per cent. It is worth mentioning here that the expenditure pattern in 1991 showed the reverse of that of 1980, the base year. There was appreciable shift in public expenditure in favour of capital services during SAP period in Kaduna State. This is an indication that there were mark up in the budgetary allocations for capital services during the SAP period in the state.

As earlier mentioned, the functional composition of capital expenditure estimates and changing priorities of the government are shown in Table 4.3 (Appendix P) and 4.4 (Appendix Q). Table 4.3 shows the sectorial distribution in absolute terms while Table 4.4 shows the percentage sharing of capital expenditure between 1980 and 1996. Table 4.3 (Appendix P) clearly reveals that before the introduction of Structural Adjustment Programme in 1986, Kaduna State was given more attention

to provision of social services as indicated in the allocation of funds to the sector which is a clear indication that the old Kaduna State was social services biased. Chart 4.3 further confirms this assertion.

In the incrementalist sense, allocation of funds to the social services represents some mark up in relation to the other sectors of the economy. There was a noticeable shift in expenditure pattern in favour of economic services during the Structural Adjustment Programme years. In 1985, ₦100.9 million was earmarked for Economic Services while only ₦26.3 million went to social services. In 1990, the expenditure on Economic Services was almost ten times that of social services. While ₦217.5 million was estimated for Economic services in 1990, only ₦23.5 million was given to social services. The above analysis further confirms the traditional way of working out the budget in Kaduna State. Chart 4.3 also supports the incrementalists model. From the graph, it could be seen that more funds were going to social services before 1986. During the SAP period, allocation of funds were in favour of Economic services, that is, there were mark up in allocation of funds to social services in relation to other sectors, but immediately after the introduction of SAP, the policies of the government changed in favour of Economic services.

Table 4.4 (Appendix Q) further supports the assertion that the government of Kaduna State was biased in favour of Economic Sector during the Structural

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Adjustment Programme years. In 1992, about 60.3 per cent of the total expenditure estimates was earmarked for Economic sector. On the average, between 1986 and 1993, Economic Sector took about 75 per cent, Social Sector 17 per cent and Administrative Sector 8 per cent of the total capital expenditure. Capital expenditure has been fluctuating but at higher levels. According to incrementalists there were mark up in capital expenditure during the SAP period and mark down after the SAP. The importance of such an expenditure pattern during the SAP period in the process of economic development cannot be over-emphasized. In general terms, this type of expenditure pattern is development oriented, all other things being equal, since more funds were allocated to economic sector depicting more capital formation. Also, this type of budgetary allocation supports the assumptions that underline the theory of incrementalism, that is, the assumption of resource expansion and economic growth.

In statistical terms, Table 4.5 (Appendix R) shows the functional composition of recurrent expenditure estimates for the period under review. The figures for 1993 to 1996 were not included because the State Government changed the pattern of presenting the recurrent expenditure estimates from 1993 fiscal year. The government stopped breaking down the recurrent expenditure estimate into functional composition from that year, instead, it has been presented under three subheads, that is, Personnel Cost, Overhead Cost and Consolidated Revenue Funds Charges (CRF).

Though the Kaduna State recurrent expenditure estimate did not exhibit any considerable structural shift over the years, one striking feature of the recurrent expenditure was that education, health and general administration dominated the expenditure of the government throughout the period. For example, an average of 28 per cent to education, 12 per cent to health and 16 per cent to the general administration. The three sectors gulped on the average about 56 per cent of the total recurrent expenditure estimate.

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There were also significant changes in recurrent expenditure pattern of the Kaduna State Government immediately after the creation of the present new Kaduna State, notable ones were that no expenditure was made on land and survey, local government and state legislature. It was observed that during these years, state legislative houses have been proscribed and that the local governments have been receiving their budgetary allocations directly from the Federal Government.

During the same period, budgetary allocations to the Finance Ministry were increased. In the recent times, finance has been taking the highest allocations. For example, 30.19 and 31.59 per cents went to Finance in 1991 and 1992 respectively. This upsurge in recurrent expenditure of the government could be as a result of the expansion of the Ministry to include Budget and Economic Planning Department.

4.2 ANALYSIS OF THE BUDGETARY STRUCTURE

In evaluating the Kaduna State budgetary structure it is appropriate to look at the budget as a whole as well as every tax and every kind of expenditure separately. An evaluation of the Kaduna State budget structure requires a consolidated statement of the receipts and expenditures contained in the budget. As it can be seen from the 1995 and 1996 budgets if one excludes transfers from the Federal Account, the receipts from the internal sources would be insufficient to meet expenditures. In other words, the tax system was inadequate. With the present scale of expenditure, a fundamental reform in tax system is required to alleviate budget deficits. This will require introduction of new taxes and the revision of the rates and coverage of the existing taxes. As we shall see in this analysis of the budget structure, there is still a wide area for further improvement in the tax system and in economy of public expenditure though the State Government has made considerable improvements in these areas.

4.3 ANALYSIS OF 1995 BUDGET PERFORMANCE

In revenue generation, the projected internal revenue for the 1995 fiscal year stood at one billion, three hundred and fifty-four million, two hundred and fifty-two thousand, forty naira, value added tax inclusive (₦1,354,252,040.00). By the end of September, government had realised seven hundred and thirty-nine million, four hundred and fifty-seven thousand, eight hundred and seventy-four naira, or 55% of

its targets. This represents an increase of one hundred and seventy-six million, one hundred and twenty-nine thousand, one hundred and one naira (₦176,129,101.00) on the amount realised for the corresponding period in 1994. This was an indication of the progress government had made in effectively tapping the revenue potentials of the State.

Similar progress was made with respect to revenue realised from the Federation Account. The actual amount realised was one billion, two hundred and eighty-two million, one hundred and one thousand, nine hundred and six naira (₦1,282,101,906.00) against a projection of one billion, six hundred and thirty-eight million, three hundred and seventy-one thousand, one hundred and sixty-five naira (₦1,638,371,156.00). The Federation Account continued to be an important source of revenue for the State, but the goal was to gradually reduce the gap between what was realised from it and the amount generated internally.

In 1995, government continued with its efforts to ensure that workers received their salaries and allowance regularly despite the pressure from other demands on its limited resources. Rising overhead costs and salaries absorbed a large proportion of the State's resources.

The concern in 1995 was to see that capital expenditure was directed towards meeting the core objectives government set for itself as follows:-

i. Agriculture: in order to enhance the access of rural farmers to fertilizers, government overhauled the distribution machinery to ensure that local governments took charge of all fertilizer allocated to farmers in their domain. Government also spent twenty million naira (₦20,000,000.00) to purchase and store surplus grains from farmers for price stabilisation purposes. These were subsequently sold to the general public at a discount.

ii. Transport: almost all the roads earmarked for construction in 1995 had been awarded to contractors for execution. A total of one hundred and thirty million, four hundred and eighty-two thousand, five hundred and sixty-six naira (₦130,482,566.00) was spent on the execution of projects in the sector during the year. These have gone a long way in facilitating smooth flow of traffic in the State.

iii. Power: in pursuit of objectives of connecting all Local Government Headquarters and other towns in the State to the national grid, thirteen towns were given electricity during the year 1995 and work has reached between 50 and 99% in 9 others. Eighty-nine million, eight hundred thousand naira (₦89,800,000.00) was spent on this scheme during 1994.

iv. Education: the effort to revive and strengthen the public education system continued in 1995. A total of forty-two million, four hundred and thirty thousand, seven hundred and forty-five naira (₦42,430,745.00) was spent as the State Government contribution to the development of primary education and additional twenty-nine million, nine hundred and twenty-four thousand, three hundred and eleven naira (₦29,924,311.00) was spent on the expansion of existing facilities in some secondary schools. A total of ninety million, nine hundred and thirty-three thousand, nine hundred and thirty-nine naira (₦90,933,939.00) was expended on various projects in the sector during the 1995 fiscal year.

v. Health: in 1995, government focused much attention on revitalising health services at the grassroots level. Priority was given to the renovation of 12 Health Clinics, the up-grading of five others to Primary Health Centres, and the completion of four abandoned Primary Health Centres. These were financed under the Health System Fund Project and most of the work was completed.

The rehabilitation of the Ibrahim Sani Abacha Memorial Children Hospital, Kaduna was also completed and successfully commissioned. A total of eighty-three million, two hundred and ninety-nine thousand, one hundred and forty-eight naira forty-four kobo (₦83,299,148.44) was spent in the sector during the 1995 fiscal year.

vi. Water-Supply: the extension of potable water to different parts of the State also continued to receive priority attention from government. In 1995, attention was mainly on the water schemes at Ikara, Zonkwa and Kwoi, which were financed under the multi-state water supply project. A total of fifty seven million, seven hundred and twenty-two thousand, four hundred and eighty-three naira (₦57,722,483.00) was spent as the State Government contribution to the project, while eight million eight hundred and sixty seven US Dollars ($8,874,767.00) was drawn down from the loan facility provided by the World Bank. The schemes were at various stages of completion. A lot was also done to rehabilitate the Kaduna North Old Treatment Plant. Some boreholes were also reactivated at various locations in Kaura, Lere, Ikara Local Government Areas.

Total expenditure from the State Government sources on water projects amounted to sixty-nine million six hundred and eighty thousand, nine hundred and sixty-nine naira (₦69,680,969.00), while loan drawn-downs totaled Nine million,, two hundred and forty-eight thousand, four hundred and forty US Dollars ($9,248,440.00) in the proceeding. The Kaduna State Government immediately set out to comply with this noble directive by directing the Ministry of Agriculture to procure assorted grains from farmers worth about twenty million naira (₦20,000,000.00) shortly after the harvest. They were sold to people all over the State at moderate prices when the inflationary situation started biting harder. Kaduna State Governor also in the course of the year got in touch with various manufacturers of assorted essential products ranging from food and drugs, to household items and textiles with a view of getting them to allow the government buy their products direct from them at distributor's prices for onward sale directly to Kaduna consumers at more reasonable prices.

This effort was what gave birth to the now famous Kada-Pay-Less Stores which is the Kaduna State Government owned company saddled with the responsibility of liaising with the said manufacturers in pursuit of the government objectives of bringing succour to the people.

The Kada-Pay-Less Stores has now transcended beyond manufacturers, as it now deals directly with farmers in various villages around Kaduna to procure grains and other agricultural products for sale to the people at moderate prices and particularly during festivals.

These modest efforts have had a glaring dampening effect on the inflationary situation in the State, and have made significant impact on the living conditions of the people. The Governor is greatly encouraged by this, and is considering opening Kada-Pay-Less Stores in all Local Government Headquarters in the State as soon as elected councillors are in place.

4.4 THE 1996 BUDGET

The outlook for 1996 was to continue to make progress on the course Government had started so far. The primary focus was to provide the people of the state with the basic necessities they yearn for to be able to live a good life. Government continued to make the best use of the limited resources at its disposal to see that these noble aspirations were met.

4.5 OBJECTIVES OF THE 1996 BUDGET

Government objectives in 1996 were generally the same as those enunciated in the previous budgets. Government, however, give more emphasis to the following areas:

a. Staff Welfare: an insurance company was floated to operate an insurance scheme designed specifically to provide immediate succour to the families of staff who die in service.

b. Health Insurance Scheme: convinced that it is not in a position to provide free and qualitative medical services to the people, Kaduna State Government found it necessary to introduce token charges in its hospitals to maintain facilities and ensure constant availability of drugs and other medicaments.

Even then, government was aware that some people were in no position to afford such token charges. Kaduna State Government therefore explored the possibility of introducing a Health Insurance Scheme for interested persons.

c. Job Creation: government created more job opportunities for the people by embarking on major capital projects, such as providing electricity to rural areas to promote the pursuit of a wider range of trades and professions, and rehabilitation of roads to bring about increase in food production. The Zaria Pharmaceutical Company and Kachia Ginger Processing Company commenced operations within the year. Furthermore, the State Television, AM/FM Stations commenced full operations. In fact the Kaduna State Television (KSTV) began test transmission towards the end of 1995. The projects have had significant impact on both the socio-economic well being of the State, and in creating job opportunities for the people.

d. Fish and Livestock Farming: the Ministry of Agriculture introduced new orientation to boost fish farming and irrigation. Hatcheries were reactivated, while livestock breeding centre were rehabilitated.

e. Community involvement was introduced and this encouraged rural water and electricity supply and maintenance

4.6 1996 REVENUE ESTIMATE

The Kaduna State Government continued to pursue the objective of reducing the State's level of dependence on the Federation Account for its revenue. This can only be realised by tapping the state's internal revenue potentials more effectively and efficiently. This was a challenge that the revenue collection machinery took very seriously. It can be seen from Table 1 that for 1996, internally generated revenue of one billion, two hundred and five million, eight hundred and fourteen thousand, three hundred and thirty naira (₦1,205,814,330.00) was projected for the state. This was an increase on one hundred and sixty-seven million, nine hundred and forty-four thousand, thirty naira (₦167,944,030.00) or about 16% on the one billion, thirty-

seven million, eight hundred and seventy thousand, three hundred naira (₦1,037,870,300.00).

4.7 RECEIPTS FROM THE FEDERATION ACCOUNT

The total receipts expected from the Federation Account in 1996 amounted to one billion, eight hundred and seventy-four million, five hundred thousand naira (₦1,874,500,000.00). This was made up of one billion, four hundred and sixty-eight million, five hundred thousand naira (₦1,468,500.00) or 78% from statutory allocations and four hundred and sixty million naira (₦406,000,000.00) from value added tax. On the whole, the projected revenue from the Federation Account represents an increase of four hundred and ninety-two million, seven hundred and fifteen thousand one hundred and forty-five naira (₦492,715,145.00) over the projection for the previous fiscal year.

TABLE 4.6

SUMMARY OF RECURRENT REVENUE

Internally Generated Revenue	₦1,205,814,330.00
Receipt from Federation Account	₦1,874,500,000.00
TOTAL	₦3,080,314,330.00

Source: 1996 Kaduna State Budget Speech

A total of eight hundred and forty-four million, seven hundred thousand naira (₦844,700,000.00) is anticipated as capital receipts in 1996. The breakdown of this amount is presented in Table 4.7.

TABLE 4.7

1996 CAPITAL RECEIPTS

a.	National Fadama Development Programme	₦ 19,700,000.00
b.	ADB Loan for Rehabilitation of Hospitals	₦ 75,000,000.00
c.	First Multi-State Water Supply Project	₦485,500,000.00
d.	National Water Rehabilitation Project	₦216,500,000.00
e.	Birin Gwari Water Supply Project	₦ 48,000,000.00
	Total Capital Receipt	₦844,700,000.00

Source: 1996 Kaduna State Budget Speech

TABLE 4.8

CAPITAL EXPENDITURE

I.	Opening Balance	₦100,000,000.00
ii.	Budget Surplus	₦1,137,996,000.00
iii.	Internal Loans	-
iv.	External Loans	₦844,700,000.00
	TOTAL	₦2,082,996,000.00

Source: 1996 Kaduna State Budget Speech

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4.8 RECURRENT EXPENDITURE

Recurrent expenditure was made up of Personnel Costs and Overhead Costs.

Personnel Cost: salaries and allowances were expected to cost nine hundred and eighty million, three hundred and ninety thousand, six hundred and sixty naira (₦980,390,660.00) in 1996 fiscal year. This is an increase of two hundred and ninety-one million, eight hundred and forty-five thousand, eight hundred and seventy-five naira (₦291,845,875.00) over the allocation for 1995.

Overhead Cost: overhead costs are necessary for existing facilities to be operational. In view of this, the government set aside the sum of five hundred and six million, three hundred and sixty-five thousand, two hundred and fifty naira (₦506,365,250.00) for overhead costs in 1996 financial year.

TABLE 4.9

BUDGET SIZE

Recurrent Expenditure	₦1,942,318,330.00
Capital Expenditure	₦2,082,591,000.00
TOTAL	₦4,024,909,330.00

Source: 1996 Kaduna State Budget Speech

4.9 CONSOLIDATED REVENUE FUND CHARGES

Consolidated Revenue Fund Charges mainly consisted of payment of salaries of statutory office holders, 10% of internally generated revenue to Local Governments, 2.5% of Local Government salaries to Local Governments Pensions and Gratuities, and public debt servicing. The sum of four hundred and fifty-five million, five hundred and sixty-two thousand, four hundred and twenty naira (₦455,562,420.00) was provided for these payments. This exceeds 1995 provision by seventy-five million, seventeen thousand, six hundred and thirty-three naira (₦75,017,633.00) or 20 per cent.

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TABLE 4.10

SUMMARY OF SECTORAL ALLOCATION 1996 BUDGET

No.		Total Allocation	Percentage
	Economic Sector		
1.	Agriculture	₦55,985,000.00	2.69
2.	Livestock	₦180,000.00	0.01
3.	Fisheries	₦5,000,000.00	0.24
4.	Manufacturing	₦50,000,000.00	2.40
5.	Power	₦100,000,000.00	4.80
6.	Commerce and Finance	₦38,325,000.00	1.84
7.	Transport	₦432,825,000.00	20.78
	Sub-Total	₦682,315,000.00	32.76
	Social Services Sector		
8.	Education	₦46,100,000.00	2.21
9.	Health	₦114,500,000.00	5.50
10.	Information	₦19,085,000.00	0.92
	Sub-Total	₦179,685,000.00	8.63
	Regional Development Sector		
11.	Water Supply	₦927,150,000.00	44.52
12.	Urban Development	₦12,100,000.00	0.58
	Sub-Total	₦939,250,000.00	45.10
	Administrative Sector		
13.	General Administration	₦281,341,000.00	0.58
	GRAND TOTAL	₦2,082,591,000.00	100.0

Source: 1996 Kaduna State Budget Speech

Table 4.9 indicates that in 1996 the state had a total budget of four billion, twenty-four million, nine hundred and nine thousand, three hundred and thirty naira (₦4,024,090,330.00). This is an increase of eight hundred and seventy eight million eight thousand, seven hundred and forty-five naira (₦878,008,745.00) or about 28 per cent on the three billion, one hundred thousand, five hundred and eighty-five naira (₦3,146,900,585.00) estimated for 1995.

The realisation of the above estimates rests heavily on the ability to generate the requisite revenue. However, the Kaduna State has the resource base to produce more than the amounts indicated in these estimates.

4.10 ESTIMATED REGRESSION RESULTS AND ANALYSIS

This section further examined the financial behaviour of Kaduna State Government with the thesis of incrementalism using Regression Analysis. This is in line with the views of authors like: Lindblom (1961), Wildavsky (1964), Owosekun (1975), and Olowononi (1997). Our descriptive analyses have shown that Kaduna State has been using the traditional method in working out its budgets.

The regression equation has been estimated in its simple linear form using the method of ordinary least squares. The results are as shown below. As usual, the coefficient of determination, R^2, which is attached to each result measures the proportion of variation explained and the t-values are placed in the brackets directly below the estimated coefficients to which they correspond. In all cases, the statistical test of significance was down at the 5% level.

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FOR AGRICULTURE, the following results emerged

$GK_t = 129.4559 + 0.964GBS + 0.02221GK_{t-1}$ ..... (1)

(t - values) (4.86) (3.49) (5.47)

$R^2 = 0.7816$ DW = 2.4775

It was hypothesized that the government capital expenditure pattern for Kaduna State on agriculture was influenced by two variables, that is, Government Budgetary Savings (GBS) and Lagged Government Capital Expenditure (GK_{t-1}). Therefore, from the results of the regression analysis shown above, it could be seen that the coefficient of determination (R^2) shows a good fit of regression equation. This is so because 78 per cent of the observed variation in capital expenditure on agriculture was jointly explained by the two variables as indicated in the equation.

Also, the coefficients in the estimated model represent the elasticities of capital expenditure with respect to Government Budgetary Savings and the Last Year's Budget.

Furthermore, the coefficients of GBS and GK_{t-1} are statistically significant. For example, the t- calculated for GBS and GK_{t-1} are 3.5 and 5.5 respectively as it could be seen in the results above which are very high. To be more explicit, the significance of the coefficients of GBS and GK_{t-1} could further be proved because the t- calculated are greater than the t- tabulated, that is, 3.5>1.761 and 5.5>1.761 respectively.

We further observed that all the coefficients in the regression equation have correct positive signs signifying positive contribution to Total Government Capital Expenditure.

FOR EDUCATION, the following results emerged:

$$GK_t = 142.5691 + 0.848GBS + 0.9682GK_{t-1} \ldots\ldots (2)$$

(t - values) (1.51) (4.57) (5.99)

$R^2 = 0.84$ DW = 2.083

The equation was based on the assumption that the Government Capital Expenditure would be influenced by both the Government Budgetary Savings (GBS) and Lagged Government Capital Expenditure (GK_{t-1}). From the results of the regression analysis, it could be seen that all the parameter estimates except the constant term are significant and plausible. The coefficient of determination (R^2) shows a good fit of 0.84 which is an indication that about 84 per cent variation in capital expenditure on education was explained by the two explanatory variables.

The coefficients also show that a 1 per cent increase in the amount of GBS would lead to about 84 per cent increase in government capital expenditure on education while a 1 per cent increase in the amount of GK_{t-1} would result to about 96 per cent increase in the amount of government capital expenditure. Also, the coefficient of the constant term is 142.5691 which is very high. This is an indication that in a situation where GBS and GK_{t-1} are zero, government capital expenditure may still be high in education sector. Furthermore, the correct positive signs of all the coefficients and significant t statistic confirm the significance of the coefficients.

The DW statistic is as high as 2.4775 which shows that there is no serial correlation in the estimation.

Since the parameters are 0.848 and 0.9682 and are close to unity, they exhibit a mark down in the allocation of funds to educational sector.

FOR TRANSPORT, the results obtained from the regression equation are as follows:

$$GK_t = 79.1426 + 0.901GBS + 0.951GK_{t-1} \ldots\ldots \quad (3)$$

(t - values) (3.71) (2.57) (2.47)

$R^2 = 0.87$ DW = 1.691

The results obtained are plausible, all the parameters are significant at the 5 per cent level. The results here are quite similar to those obtained for agriculture and education. The coefficient of determination shows that these variables explained 87 per cent variation in the total government capital expenditure on transport.

Also, the estimated coefficients in the model are close to unity. The results show that 1 per cent increase in GBS and GK_{t-1} would lead to 90 per cent and 95 per cent increase respectively in the value of government capital expenditure on transportation. The coefficients are statistically significant as indicated by the t-values attached to each coefficient in the above results. Furthermore, comparing these t-values with the t-tabulated clearly shows the significance of the coefficients in our regression model because 2.6>1.761 and 2.5>1.7612 respectively. We also

observed that all the coefficients in the regression equation have correct positive signs.

FOR HEALTH, the regression equation yields the following results:

$GK_t = 63.240 + 0.928GBS + 1.336GK_{t-1}$ ..... (4)

(t - values) (2.75) (2.86) (4.76)

$R^2 = 0.8941$ DW = 1.769

The results given by the above regression analysis are consistent with those obtained from the previous equations. The results are plausible with correct signs and significant t-statistics. The two variables GBS and GK_{t-1} explained about 89 per cent increase in government capital expenditure on health.

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The coefficients of GBS is close to unity while that of GK_{t-1} is above unity as indicated in the results above. This indicates that there are some mark down in Government Budgetary Savings while there are some mark up in Lagged Capital Expenditure in line with incrementalist model.

FOR HOUSING, the regression equation yields the following results:

$GK_t = 48.191 + 0.698GBS + 1.351GK_{t-1}$ ..... (5)

(t - values) (51.32) (11.16)

$R^2 = 0.9142$ DW = 2.091

The above results which are quite similar to those obtained for the last previous estimations are significant and plausible. We observed that the t-values are very high and larger than the critical t-values which further confirms the significance of all the coefficients.

The coefficient of determination, as it could be seen in the above results shows a good fit of 91 per cent. Furthermore, the DW statistics is 2.091 which shows that there is no serial correlation in the estimation.

4.11 CONCLUSION

This chapter has attempted to evaluate, on the basis of the analysis above, Kaduna State Government's Budgetary System. The analysis has shown that while the budget is used for project implementation, what actually matters is the commitment of the State Administration to a particular a project or group of projects. A high or low commitment as reflected in the provisions of funds for projects not included in the budget should be discouraged. However, the essence of supplementary budget is to prevent such distortions especially where budgetary instruments such as virement are inadequate. A possible cause of budget distortion is the validity or otherwise of the assumptions used in the budget. A budget that is rigidly tied to the previous year's budget may suffer a set back if the current revenue is dwindling as a result of a major down turn in the economy.

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CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.1 SUMMARY

As earlier observed, there is rather poor theoretical framework within which the budgets are prepared in Kaduna State. This lack of proper theoretical focus has resulted in inconsistencies in the annual budgets. The institutional set up for budgeting is defective because too many Ministeries, Departments and Ad-hoc Committees are involved in working out the budget without adequate co-ordination that would have been possible if the former Central Bureau for Budget is in existence.

Well conceived budgets/programmes give only little room for inclusion of new items mid way. Inclusion of such documents is only possible if there is consultation across a wider strata of the Civil Service. Credibility can only be given for the yearly budgets if it is clearly seen that planned budgets/programmes are implemented.

As a matter of fact the realisation of the good intentions of government in all sectors of the economy can best be achieved through the preparation of practicable budgets. Violation of budget implementation rules and guidelines which is tending to become common place in recent times in the state has to be reduced to the barest minimum in order, at least, to maintain and respect the legal status of the budget. The procedural methodology as enshrined in the Financial Instructions for accomplishing the various intentions expressed in the budget should be strictly adhered to.

One of the important reasons for monitoring plan implementation is to provide management with information on likely future commitments and in particular on how these have changed from what was originally envisaged. This enable prompt remedial action to be taken in respect of detected lapses. In addition, monitoring systems would supply information not only to decision makers but also to those with high responsibilities.

To ensure speed implementation/control of budgets/programmes in Kaduna State, government has over the years set up vital organs to closely perform certain vital functions as mentioned in Chapter Three and report back to it. Therefore, the organs like Plan/Budget Implementation Committee, Fund Allocation Committee, Ministerial Tenders Board and Finance and General Purpose Committee (F&GPC) should be re-activated and allowed to perform.

In Chapter Three, it could be seen that the total expenditures increased tremendously over the period under review. Though the expenditures fluctuated initially, but it was at higher levels. The study has shown that the fluctuations in the public expenditure of the State within the period can be traced to the global economic recession, partly due to changes in economic activities of the government and due to changes in government policies and objectives. Also, political instability contributed immensely to the anomalous behaviour of public expenditure in the state.

It was observed that both recurrent and capital expenditure do not show a serious general pattern but one important fact worth mentioning here is that the recurrent expendiutre always uses up large part of the total budgetary allocation. Towards the end of the period under review, there was an appreciable shift in public expenditure in favour of capital services.

Sectorially, the study shows that before the introduction of Structural Adjustment Programme in 1986, the state gave more attention to social services but there was a noticeable shift in expenditure pattern in favour of economic services during the Structural Adjustment Programme years. This could have been due to provision of economic infrastructure before the SAP period. Hence, it is a pointer to the fact that the economic policies in Kaduna State Government during the SAP years were economic development oriented.

Empirically, this work reveals that the traditional incremental model adequately explains budgeting behaviour at the state level in Nigeria. Our regression models explain sectorial changes in government budget. For example, it could be seen that the total government budgetary savings and lagged government capital expenditure are relevant to the current year's capital expenditure. The results show that over 78 per cent of the variation in Capital Expenditure was explained by these two variables. The results also reveal that the impact of last year's budget on the current budget is greater than that of budgetary savings.

Therefore, it could be deduced from the above fact that traditional ways of preparing the budgets, inconsistencies in the management and control of public finance, economic recession, political instability constitute some of the problems of public finance in Kaduna State.

For the annual budgets to act as a tool of economic development in the State, budget preparation should be given a proper attention, there is a need for efficient management and control of public expenditure. Capital Expenditure should continue to get its fair share in government expenditure and the project execution should always be properly monitored and evaluated.

5.2 RECOMMENDATION

The budget should be comprehensive in the sense that all government activities must be covered. It must be forward looking with rolling estimates for, say, a three year period meshed into the development plan.

Budgeting and accounting system of government must be thought of as information systems required to provide information to the Legislature and Executive as a means of facilitating legislative and executive decision making. The structure and organisation of a state government budget should therefore be related to the information needs of these two arms of government. These information needs depend on the social, economic and political goals of government.

Consequently, there is an urgent need for the Kaduna State to make substantial change in its budgeting and accounting procedure in order to adapt them to the information needs of the government. The state government is advised to accept the use of PPBS approach to budget preparation and review as against the use of traditional incremental models in working out the budgets. If the budgets is to perform satisfactorily as an information system serving the needs of economic policy, it must satisfy the following requirements:

i. The budget must be classifed along functional and programme lines in order to facilitate the attainment of intended objectives. The budget must contribute to effective resource management within the public sector by making it possible to compare the cost and benefit which are expected to result from alternative courses of action, and hence to determine priorities.

ii. By allocating responsibilities for programmes performance, budget facilitites, control over the execution of policy. If a budget document is to be used for purposes of policy formulation there must be a distinction between resources using and transfer activities of government, between current and capital outlays, and between local and other sources of finance of government expenditure.

iii. Although the traditional functional classification of budget goes some way towards differentiating government financial activities in accordance with broad purposes to be achieved, it is of limited value as a guide to decision making by government for the purpose of allocating resources within the public sectors. In this area, Programme Performance Budgeting System is more promising technique of budgeting.

It should be clear now that decisions based on PPBS will be better informed than decision based on traditional budget classification which tends to be related to last year's allocation with crude increment criteria (e.g. a 5 per cent increase to cover inflation or rising costs) as the principal guide to this year's allocation.

Also, scarcity of resources in relation to demand makes it essential that budgeting and accounting systems reflect the PPBS approach.

5.3 CONCLUSION

Based on our study, Kaduna State Government is still using the traditional method of incrementalism in working out the budget. Worst still, in most cases, authors of the budget are using Estimates of Revenue and Expenditure of the current year for making adjustment for the next fiscal year, because actual Revenue and Expenditure figures are not available. The problem of public budgeting in Kaduna State therefore, is how to efficiently allocate the scarce resources among the various government establishments and competing projects. Also, we have come to realise that in this era of resources dwindling, government budgeting cannot continue to be based on the principle of incrementalism. It was on this premise we recommended that budgeting and accounting systems of the government reflect the Planning-Programme-Budgeting Systems (PPBS).

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KASHIM IBRAHIM LIB

APPENDIX IIIA

Ref. No F 269/Vol.I/22
MINISTRY OF FINANCE,
FINANCE DEPARTMENT,
KADUNA STATE,
PRIVATE MAIL BAG NO

2008

KADUNA - NIGERIA
14TH November, 1994

The Principal Private Secretary
to the Military Administrator,
Sir Kashim Ibrahim House,
Kaduna.

The Secretary to the state Government,
Governor's Office.
Kaduna.

All Honourable Commissioners,

The Special Adviser (Parastatals),
All Head of Extra-Ministerial Departments,

All Chief Executives of Parastatals.

CALL CIRCULAR FOR SUBMISSION OF 1995 ADVANCE PROPOSLS

The Annual Budget exercises which give legal and financial effect to implementation of Government projects and programmes as well as outlines the level and nature of Government revenue and expenditure is, once again, around the corner. I believe that, as usual, you have by now completed ground work in respect of your Ministries/Parastatals in anticipation of the Call Circular for 1995 financial year.

2. Internal Revenue

During the period January - September, 1994 revenue generation recorded tremendous improvement as against preceeding year's level and it is hoped that

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the tempo will be sustained and even improved upon. It is therefore, expected that all revenue generating agencies are to realise their set revenue targets as the 1995 Budget is hinged principally on internal revenue generation capacity. You are hereby directed to set revenue targets in tune with the potentials of your various Ministries/Parastatals and not merely based on incremental basis. Government views the issue of revenue generation seriously and no effect will be spared in realising the set targets for 1995.

3. Recurrent Expenditure

In the past, recurrent expenditure of Ministries/Parastatals consumed almost 50% total Government revenue. This Ad ministration has however, introduced stringent measures to plug all loopholes which served as avenues for blowing recurrent expenditure. Efforts in this direction will be intensified during the 1995 financial year. You are therefore, directed to make realistic projections of your Personnel Costs based on your actual number of staff as your submissions will be carefully scrutinized by this Ministry and the Estimates committee with a view of removing all unjustified provisions in the budget.

With regards to Overhead costs, efforts were made in 1994 to ensure reasonable improvement in funding and it is hoped that this will be sustained and improved upon in 1995. Dwindling allocations to overhead costs is as a result of the expanding provisions in respect of Personnel costs and in compliance with the minimum requirement for transfer to Capital Development Fund. You should therefore, ensure that your overhead costs are realistic and judiciously spread to

cover all essential services. The state Government will not entertain any financial request that is not covered by your Overhead costs Allocation for 1995.

We are drawing your attention to the need for proper maintenance of office equipment, vehicles and other property under your care. Government is concerned about the low level of maintenance of such facilities and will therefore, view seriously any proven case of neglect. It has become necessary to pay greater attention to maintenance because replacement cost of such equipment even centrally is prohibitive. Where requests for services outside your allocations may be considered necessary and entertained include the following:-

(a) Office equipment such as typewriters, duplicating machines, adding machines, cabinets, cash receptacles etc. Requests for these should be submitted to the Ministry of finance;

(b) Refrigerator, fans, air-conditioners, maintenance of buildings, replacement of office furniture etc. should be submitted to the Ministry of Works and Transport;

(c) In-service training, Local and overseas should be submitted to the Bureau of Establishments, Training, Management Services and Pensions.

You will however, ensure that you make adequate provisions for training programmes not covered under 'C' above in your overhead costs allocations

(a) The Ministry of Works and Transport should provide a comprehensive list of all Government and rented quarters while the Ministry of health must submit a comprehensive list of all its rented quarters. Adequate provision should also be mode for their maintenance.

Attached herewith as Annex 1 are ceiling for Personnel and Overhead costs for all Government Agencies. Also attached as Annexes II and III are formats for expenditure and revenue returns for the period January - October, 1995.
Failure to provide necessary and correct information will be viewed seriously.

As usual, your comprehensive and up-to-date staff list must accompany your submissions.

For avoidance of doubt, you are expected to submit a staff list showing names, rank, grade level, step and annual incremental date. Your leave roster must also accompany the submission to anable us compute the financial requirement of your Ministry/ Parastatals. Please find attached a format for submission of your staff list and leave roster as Annexes III and IV.

4. Capital Expenditure Proposals

This Administration has, in the last one year tried to ensure that capital projects are properly costed, funded and completed on schedule. Commitments in Health, Water, Rural Electrification and transport sectors have been made in 1994 and Government will ensure their completion in 1995. Resources for capital projects

are therefore, being judiciously used to ensure the successful completion of these projects because of their relevance to the majority of the people and overall development of the state. Past practice of spreading resources thinly on so many projects with nothing concrete to show in the end has been stopped. All capital allocations for 1995 will therefore, be used for executing key and essential projects that will be of permanent benefit to the majority of the people of the state .

As practice goes, your Rolling plan submissions will be used for the 1995 capital budget. Selected projects will form your capital budget depending on the due-course of the projects selected. However, where you feel very strongly that your submission should be changed, you could bring fresh submission for consideration and possible approval.

There are agencies that did not make submission for the Rolling plan but a token provision has all the same been made for such agencies. Such agencies are now advised to make such submission immediately using the prescribed format.

You will recall that I issued a circular for submission of capital progress report vide circular No. S GO/BD/NPR/PR/2/VOL.1/132 dated 15th October, 1994. The responses received have been disappointedly poor. You are therefore, strongly advised to forward these progress reports when submitting your Budget proposal as failure to do so will adversely affect your 1995 allocation.

5. GENERAL

Proposals for both recurrent and capital expenditure accompanied with all required supporting documents must reach this Ministry not later than 21st

November,1994. You are expected to submit three copies of your proposal to the Ministry of Finance and one copy each to the Secretary to the State Government, the Honourable Commissioner of Education, The Honourable Commissioner of Works and Transport, the Director General, Establishment and Pensions who are members of the State's Estimates Committee.

I will restate for the purpose of emphasis that your submissions must reach this Ministry and the members of the Committee mentioned above by the 21st November, 1995 unfailingly. You should therefore endeavour to strictly adhere to the dateline as failure to comply may produce unpleasant consequences.

Due to time constraint the time-table for the Estimates Committee meeting in which you are to defend your budget proposals is hereby attached as Annex VII. The Estimates Committee meeting is scheduled to start on the 24th November, 1995. In line with Financial Instructions, Accounting Officers are to personally lead their team in the defence at the stipulated dates and time.

Signed
(AHMED MOHHAMED
MAKARFI)
Honourable Commissioner for
Finance
and Economic Planning.

APPENDIX IIIB

FINANCE WARRANT 1

Ref. No. GH/KD/S/77/T/21

TELEPHONE: 242842

Government House,
Private Mail Bag No. 2001,
Kaduna.
Kaduna State
.....January,19 .....

KADUNA STATE OF NIGERIA
GENERAL WARRANT
(CONSOLIDATED REVENUE)

1989 ACCOUNTS

THE ACCOUNTANT GENERAL,
KADUNA STATE,
KADUNA.

KASHIM IBRAHIM LIBR

IN EXERCISE of the powers conferred on me as Military Governor of Kaduna State by Section 112(2) of the Constitution of the Federal Republic of Nigeria , 1979 (as modified by Decree No. 1 of 1984) as well s Section of the Public Finance(Control and Management) Law and all other powers enabling me in that behalf, I hereby authorise you to issue from the Consolidated Revenue Fund during the Financial Year 1989 a sum not in excess of TWO HUNDRED AND FIFTY-SIX MILLION, SEVEN HUNDRED AND THIRTY-FIVE THOUSAND, SEVEN HUNDRED AND EIGHTY-FIVE Naira (as shown in Recurrent Expenditure Schedule attached) being the amount authorised for the Services of that Year; excluding the sum of TWENTY-EIGHT MILLION, SIX HUNDRED AND THIRTY ONE THOUSAND, NINE HUNDRED AND FIFTY FIVE NAIRA provided by the Statutory Expenditure Warrant. And

KASHIM IBRAHIM LIB...

further that funds released under this Warrant shall be subject to the general control of the Funds Allocation committee.

2. PROVIDED that:

(i) the amount as expended during such year on any one Head of expenditure shall not exceed the amount appropriated to that purpose by the Schedule to the Appropriation Edict 1989.

(ii). And provided further that the sum expended during such year on any one subhead of Expenditure shall not exceed balance of the amount entered against that Sub-head in the Approved Estimates 1989, save as that amount may be affected from time to time by any Warrant issued under powers conferred on me by the modified Constitution of the Federal Republic of Nigeria 1979, and public Finance (Control and Management) Law.

(iii) There may be further withdrawal in the financial year 1989 and amount by which the Revised Estimates of Expenditure, 1989 in respect of any project, as set out in the capital Estimates of Kaduna state 1989 exceeds the actual expenditure in respect of the said project in the financial year 1989. And for so doing, this together with the proper Accounts. Certificates and Acquaintances, shall be your sufficient Warrant and Discharge.

SIGNED
A S MUKHTAR
Colonel
Military Governor
Kaduna State.

APPENDIX IIIC

FINANCE WARRANT 4

Ref. No. GH/KD/S/77/T/24

TELEPHONE: 242842

Government House,
Private Mail Bag No. 2001,
Kaduna,
Kaduna State
.....January,19 .....

KADUNA STATE OF NIGERIA
CAPITAL DEVELOPMENT FUND
GENERAL WARRANT

1989 ACCOUNTS

TO: THE ACCOUNTANT GENERAL,
KADUNA STATE,
KADUNA.

IN EXERCISE of the powers conferred on me as Military Governor of Kaduna State by Rule 7 of the Rules contained in the second Schedule to the public finance (Control and management) Law, and of all other powers enabling me in that behalf, I hereby authorize you to withdraw from the Capital Development Fund during the financial year 1989 a sum not in excess of TWO HUNDRED AND SEVENTY-SIX MILLION, FIVE HUNDRED AND NINETY-SIX THOUSAND, EIGHT HUNDRED AND TWENTY NAIRA (as shown on capital Expenditure Schedule 1 attached) being the amount authorized in respect of the said Rules. An further that fund released under this warrant shall be subject to general control of the funds Allocation Committee:

PROVIDED that:

(i) The amount so expended during the said year on any Head shall not exceed the amount authorized for the head.

(ii) Subject to Provision (iii) the amount expended during such year on any on Sub Head of Expenditure shall not exceed the amount entered against the Sub-Head in the Approval Capital Estimates for 1989 save such amount as may be authorized from time to time by the Public finance (Control and Management) Law.

(iii) There may be further withdrawal in the Financial year 1989 and amount by which the Revised Estimates of Expenditure, 1989 exceeds the actual expenditure in respect of the said project in the financial year 1989 AND for doing so, this together with the proper accounts Certificates and Acquittances shall be your sufficient Warrant and Discharge.

SIGNED
A S MUKHTAR
Colonel
Military Governor
Kaduna State.

KADUNA -JANUARY, 1989

APPENDIX IIID

FINANCE WARRANT 9

Ref. No. GH/KD/S/77/T/24

TELEPHONE: 242842

Government House,
Private Mail Bag No. 2001,
Kaduna,
Kaduna State
.....January,19 .....

KADUNA STATE OF NIGERIA
STATUTORY EXPENDITURE WARRANT

1989 ACCOUNTS

TO: THE ACCOUNTANT GENERAL,
KADUNA STATE,
KADUNA.

IN EXERCISE of the powers conferred on me as Military Governor of Kaduna State by Section 112(2) of the Constitution of the Federal Republic of Nigeria , 1979 (as modified by Decree No. 1 of 1984) as well s Section 13 of the Public Finance (Control and Management) Law and all other powers enabling me in that behalf. I hereby authorise you to issue from the Consolidated Revenue Fund during the Financial Year, 1989 a sum not in excess of TWENTY EIGHT MILLION, SIX HUNDRED AND THIRTY-ONE THOUSAND, NINE HUNDRED AND FIFTY-FIVE Naira (as shown in Statutory Expenditure Schedule attached) being the amount required for the Services described in the Schedule attached upon the said Fund, for the financial year, 1989. PROVIDED that the amount so expended during such year, on any one sub-head of

Expenditure shall not exceed the amount entered against that sub-head in the said Schedule; save as that amount may be affected from time to time by any Warrants issued under powers conferred on me by the Public Finance (Control and Management) Law. AND for so doing, this together with the proper Accounts, Certificates and Acquaintances, shall be your sufficient Warrant and Discharge.

SIGNED
A S MUKHTAR
Colonel
Military Governor
Kaduna State.

KADUNA -JANUARY, 1989

APPENDIX IIIE

FINANCE WARRANT 11

REFERENCE NO.....

KADUNA STATE CAPITAL DEVELOPMENT FUND PROVISIONAL GENERAL WARRANT 1992 ACCOUNTS

To: The Accountant-General,
Kaduna State of Nigeria.

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WHEREAS it is necessary for the continued economic and social development of Kaduna State to incur certain expenediture from the Capital Development Fund to Finance the construction and provision of essential capital projects pending the authorisation of expenditure on such capital projects from Capital Development Fund during the Financial year 1992.

NOW THEREFORE. in accordance with the provision of Rule 8 of the Second Schedule to the Public Finance (Control and Management) Law as amended by the Control and Management of Finance (Amended Law, 1965) I, Alhaji Mohammed Dabo Lere, governor of Kaduna State of Nigeria, hereby authorise you to incur from the Capital Development Fund of Kaduna State during the beginning of the Financial year 1992 until the 1992 Capital Expenditure Estimates are approved the sum of Fourty-four million, Four

hundred and sixty-nine thousand, six hundred and twenty-one Naira, twenty five Kobo, being a sum not exceeding one quarter of the sum shown in the approved estimates for 1991 for Capital Expenditure save as the amount may be affected from time to time by any warrant issued under the powers conferred on me by the Public Finance (Control and Management) Law.

AND for so doing, this togethet witht the proper Accounts, Certificates and Acquittances shall be your sufficient warrant and discharge.

Dated this..... days of January, 1992

(Alhaji Mohammed Dabo Lere)

Governor of Kaduna State of Nigeria.

APPENDIX IIIF

1992 ADVANCE PROPOSAL

SCHOLARSHIP BOARD

RECURRENT EXPENDITURE ESTIMATES

APPRAISAL

1. RECURRENT REVENUE

Scholarship Board is a revenue generating body under sales of application forms. In 1991 financial year, the Board proposed a total collection or 108,793.50. If the actual collection is projected to 12 months it would amount to 145,058.00. In her submission, the Board pledged optimism to meet the proposed collection by the year ending as they are presently in the peak period of sales of forms.

Notwithstanding her low performance, the Board still maintained the 1991 figure of 200,000.00 as proposed collection for 1992 financial year. We therefore recommend the proposed collection by the Board.

2. RECURRENT EXPENDITURE ESTIMATES

2.1 **Personnel Costs:** In 1991 financial year, a provision of 614,345.00 was approved for personnel costs. The expenditure so far for personnel costs as at 31st December, 1991 is 369,286.86 and if projected to

12 months would amount to 492,382.48. In comparing the approved provision with projected actual expenditure, it indicates that by the year ending the Board will not be able to expend her approved provision.

The Board is proposing for an expenditure of 764,480.00 while the Board's approved ceiling for 1992 financial year is 530,000.00 and the projected actual expenditure is 492,382.48. To be on the safer side we recommend that the ceiling provision of 530,000.00 be maintained for personnel costs.

2.2 **Overhead Costs:-** A provision of 23,824.000 .00 was approved as overhead costs for the Board in 1991 which include students maintenance allowances. Out of the approved provision, an amount of 9,507,376.27 has been expended as at 31st September, 1991. The low record of actual expenditure performance due to financial constraints of the State Government, whereby the Board did not get cash backing from Ministry of Finance from time to time.

The Board is proposing for an expenditure of 24,366,380.00 while the approved ceiling is 23,824,000.00. Despite that the Board is proposing 542,380.00 higher than the approved ceiling, we still maintained our ceiling due to the financial constraints of the Government.

SUMMARY OF RECOMMENDATION

Personnel Costs	530,000.00
Overhead Costs	23,824,000.00
	24,354,000.00
Revenue	200,000.00

Directorate of Budget, Planning and Monitoring, Kaduna.

FORMAT 'A'

APPENDIX IIIG

STATEMENT OF ACTUAL REVENUE COLLECTION

JANUARY TO OCTOBER, 1994

MINISTRY/DEPARTMENT/PARASTATALS .....

				ACTUAL COLLECTION										
HEAD	SUB-HEAD	REVENUE SOURCE	1994 ESTIMATE	JAN	FEB.	MARCH	APRIL	MAY	JUNE	JULY	AUG	OCT	TOTAL	PROJECTION FOR 19.....

FORMAT 'C'

APPENDIX III I

STAFF LIST

MINISTRY/DEPARTMENT/PARASTATALL:.....

...

S/NO.	NAME	RANK	GL/STEP	INCREMENTAL DATE

KASHIM IBRAHIM ...

FORMAT 'B'

APPENDIX IIIH

STATEMENT OF ACTUAL REVENUE COLLECTION

JANUARY TO OCTOBER, 1994

MINISTRY/DEPARTMENT/PARASTATALS .....
HEAD: .....

			ACTUAL COLLECTION									
SUB-HEAD	DETAILS OF EXPENDITURE	1994 PROVISION	JAN	FEB.	MARCH	APRIL	MAY	JUNE	JULY	AUG	OCT.	TOTAL

FORMAT'D'

APPENDIX III J

ADVANCE PROPOSALS, 19.....

CAPITAL RECEIPT PROJECTION

MINISTRY: .....

CLASSIFICATION CODE	TITLE	ESTIMATES 19.....	ACTUAL COLLECTION AS AT 30/9/9...	PROJECTED REVENUE 199.....	REMARKS

FORMAT 'E'

APPENDIX III K
NATIONAL ROLLING PLAN PROJECT PARTICULARS

MINISTRY/DEPARTMENT/CORPORATIONS

.....

1. (a) Project Title

.....

(b) Project No.

.....

2. (a) Sector .....

(b) Sub-sector .....

3. External Financing Agency

.....

4. Implementing Agency

.....

5. Assistance Type/Form

.....

6. Short description of the concept and scope of the project

.....

.....

.....

7. Physical specifications and targets:

.....

.....

8. Justification of the project .....

.....

9. Project status (new or ongoing).....

.....

KASHIM IBRAHIM LIBRARY

10. Duration of Project .....

.....

11. Project location and reason for choice.....

.....

.....

.....

Applies to project with External Financing Components only.

12. If the project is ongoing, state:

(a) Commitment:

Source
Amount
Internal Finance
Federal Government
(N) -
State Government
(N) -
External Finance
(1)
(USD) -
(2)
(USD) -
(3)
(USD) -

(b) Total allocation in the budget:

Source		19....	
19.... 19....			
Internal Finance			
Federal Government	(N)	-	-
-			
State Government	(N)	-	-
-			
External Finance			
(1)	(USD)	-	-
-			
(2)	(USD)	-	-
-			
(3)	(USD)	-	-
-			

(13) Disbursements from start of project:

(a) Cumulative from start of project to date:

Source	
Amount	
Internal Finance	(N)
Federal Government	(N)
-	
State Government	(N)
-	

External Finance (USD)

(1) (USD)

(2) (USD)

(3) (USD)

(b)

Actual Disbursement 19..... &.....19.....:

Source		Amount
Internal Finance		19....
19....		
Federal Government	(N)	-
-		
State Government	(N)	-
-		
External Finance		
(1)	(USD)	-
-		
(2)	(USD)	-
-		
(3)	(USD)	-
-		

(c) Physical Achievement: .....

.....

project linkages (relationship with project in other sector/sub-sectors):

(15) Capital Expenditure

Cost Components	Years				
	19.....	19.....	19.....	19.....	19.....
Projected Expenditure					19...
19....					
Treasury Component					
External Component					

Foot Note

Give N(Naira) equivalent at a fixed exchange rate of N22.00 to 1 USD for the period 19... 19...

16. Structure of Capital Expenditure (N million)

Year	Cost Components				
	19.....	19.....	19.....	19.....	19.....

KASHIM IBRAHIM LIBRARY

Total

cost

19.....

19.....

Land

Building

Equipment

Others

17. Estimated Completion date:

.....

18. Utilities requirements of the project-annual quantity required:

(a) Electricity (Kwh)

.....

(b) Water (Litres) .....

19. Manpower Requirement of the project

DURING PROJECT EXECUTION		FOR PROJECT OPERATION	
Types of Manpower e.g. Architect	Number Required	Type of Manpower Required	

20. Environmental impact of the project: .....

.....

.....

.....

.....

21. Measures to mitigate adverse environmental impacts:.....

.....

.....

.....

22. Implementation Plan: How do you intend to implement the project?

(i) Direct Labour

(ii) Contractor

(iii) Collaboration with partner

(Mark "x" an appropriate)

23. List of any study or other documentation in support of project (these should be attached).

.....

.....

.....

24. Priority attached to the project (Priority A,B,C);

Priority A: Care and rehabilitation projects or projects that will facilitate the performance of existing projects.

Priority B: Other ongoing priority projects that have gone beyond 70% completed before the end of 199... fiscal year.

Priority C: Ongoing projects that are critical to the fulfilment of the statutory responsibilities of an agency.

25. Post-implementation arrangements for the project:

.....

.....

.....

.....

.....

26. Private sector initiatives and programme in the sub-sector:

.....

.....

.....

APPENDIX III L

NATIONAL ROLLING PLAN 1995-1997 KADUNA STATE PROGRAMME FORMAT 'F'

SECTOR: ..... MINISTRY/DEPT./PARASTATAL: .....

PROJECT TITLE AND DESCRIPTION	PROPOSED PHASING BY AGENCIES ₦(M)				RECOMMENDED PHASING ₦(M)				REMARK
	1995	1996	1997	Total	1995	1996	1997	Total	

TABLE 4.1 (Appendix M)

The Pattern of Total Public Expenditure Estimates at Current Prices (1980-1996)

Fiscal Years	Recurrent Expenditure (₦)	Capital Expenditure (₦)	Total Expenditure (₦)
1980	212,168.9	90,087.4	302,256.3
1981	423,536.1	347,753.2	771,218.3
1982	327,305.5	373,753.2	701,058.7
1983	293,033.4	354,022.6	647,056.0
1984	144,491.2	317,759.8	462,251.0
1985	243,833.7	129,413.3	373,247.0
1986	286,974.6	175,579.4	462,554.0
1987	353,298.5	164,458.1	517,756.6
1988	243,367.0	209,285.0	452,652.0
1989	285,367.8	279,596.8	564,964.6
1990	420,306.0	276,762.0	697,068.1
1991	598,401.7	1,462,008.8	2,060,410.5
1992	774,228.9	1,160,044.4	1,934,273.3
1993	1,084,588.3	1,097,572.1	2,182,160.4
1994	1,158,296.2	1,161,487.3	2,319,783.4
1995	1,424,898.3	1,487,547.1	2,907,445.4
1996	1,942,318.3	2,082,591.0	4,024,909.3

Sources: Approved Annual Budget Estimates of Kaduna State (1980-1996)

TABLE 4.2 (Appendix N)

Percentage Sharing of Total Public Expenditure (Recurrent and Capital Estimates) (1980-1996)

Fiscal Years	Recurrent Expenditure	Capital Expenditure	Total Expenditure
1980	70.2	29.8	100
1981	54.9	45.1	100
1982	46.7	53.3	100
1983	45.3	54.7	100
1984	31.3	68.7	100
1985	65.3	34.7	100
1986	62.0	38.0	100
1987	68.2	31.8	100
1988	53.8	46.2	100
1989	50.5	49.5	100
1990	60.3	39.7	100
1991	29.0	71.0	100
1992	40.0	60.0	100
1993	46.8	53.2	100
1994	49.7	50.3	100
1995	49.9	50.1	100
1996	48.3	51.7	100

Sources: Computed from Table 4.1 (Appendix M)

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TABLE 4.3 (Appendix P)
Functional Composition of Capital Expenditure Estimates at Current Prices (1980-1996)

Fiscal Years	Economic Services	Social Services	Administrative Services	Total
1980	52,653.4	34,728.6	2,705.4	90,087.4
1981	126,927.2	179,415.0	41,304.0	347,682.2
1982	124,050.2	185,103.0	64,600.2	3737,753.2
1983	124,949.3	174,685.4	54,388.0	354,022.6
1984	116,566.9	154,697.5	46,495.4	317,759.8
1985	100,883.8	26,273.5	2,257.0	129,413.3
1986	141,030.7	29,246.9	5,300.9	175,579.4
1987	131,975.6	28,102.5	4,380.0	164,458.1
1988	158,560.5	38,781.6	11,943.0	209,285.0
1989	195,246.8	36,550.0	44,800.0	279,596.8
1990	217,538.2	23,521.0	35,703.9	276,762.1
1991	1,073,072.8	277,237.0	111,699.1	1,462,008.8
1992	700,020.8	343,873.5	116,150.0	1,160,044.4
1993	921,023.3	193,464.0	47,000.0	1,161,487.3
1994	286,563.3	827,924.0	47,000.0	1,161,487.3
1995	413,315.0	820,949.0	239,283.1	1,482,547.1
1996	682,315.0	111,893.5	281,341.0	1,075,549.5

Sources: Approved Annual Budget Estimates of Kaduna State (1980-1996)

TABLE 4.4 (Appendix Q)

Percentage Functional Composition of Capital Expenditure Estimates at Current Prices (1980-1996)

Fiscal Years	Economic Services	Social Services	Administrative Services	Total
1980	58.5	38.5	3.0	100
1981	36.5	51.6	11.9	100
1982	33.2	49.5	17.3	100
1983	35.3	49.3	15.4	100
1984	36.7	48.7	14.6	100
1985	78.0	20.3	1.7	100
1986	80.2	16.7	3.0	100
1987	80.2	17.1	2.7	100
1988	75.8	18.5	5.7	100
1989	69.8	13.1	16.1	100
1990	78.7	8.5	12.9	100
1991	73.4	18.5	7.6	100
1992	60.3	29.6	10.1	100
1993	79.4	16.7	4.0	100
1994	14.7	71.3	4.0	100
1995	27.9	55.4	16.6	100
1996	63.4	10.4	26.2	100

Sources: Computed from Table 4.3 (Appendix P)

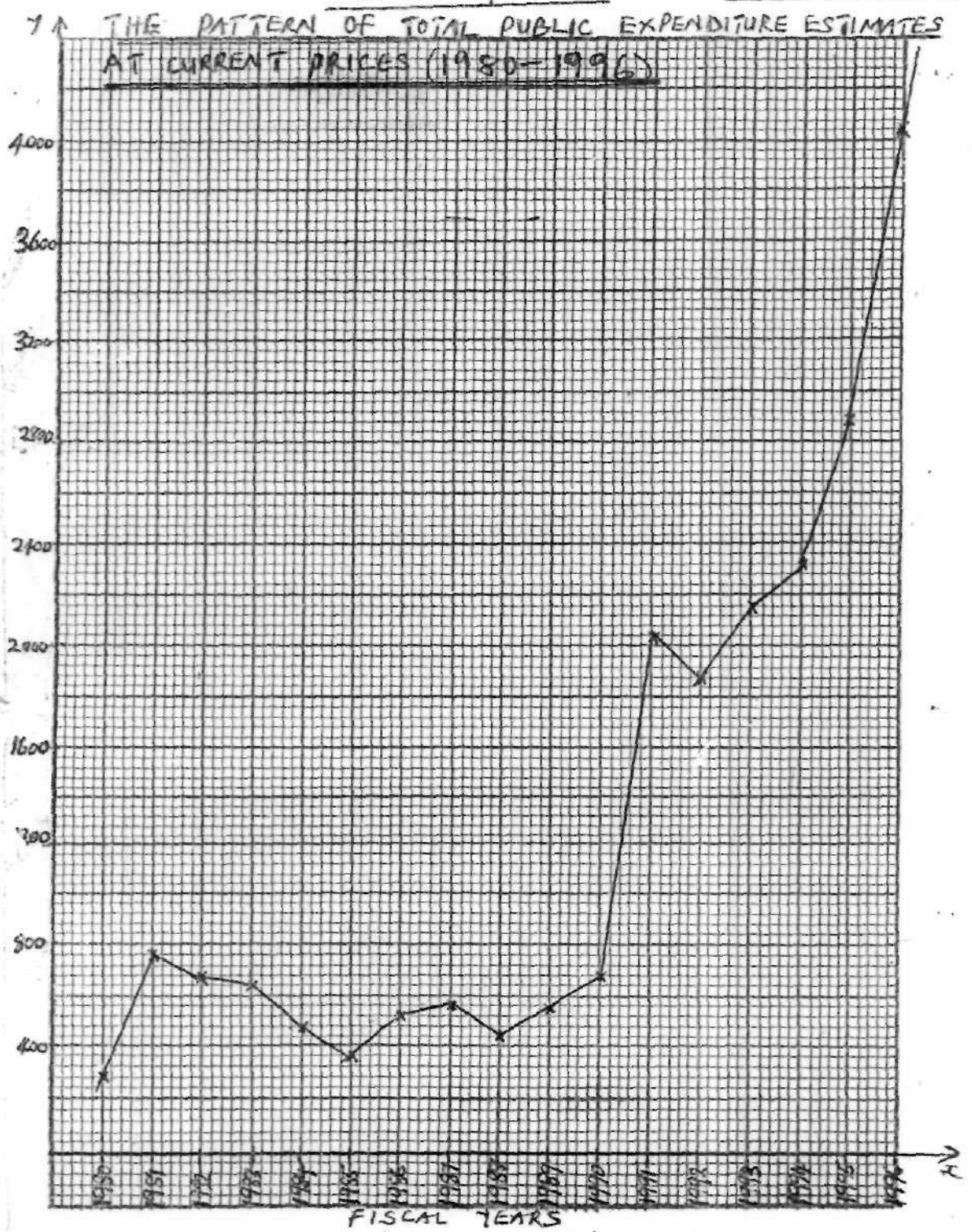
TABLE 4.5 (Appendix R)
FUNCTIONAL COMPOSITION OF RECURRENT EXPENDITURE ESTIMATES ON PERCENTAGE BASIS

No.	Sector	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
1.	Agriculture	3.93	7.25	8.15	9.39	10.36	6.21	4.09	3.38	3.29	2.86	2.59	1.65	1.54	N/A
2.	Education	36.3	13.89	25.91	32.43	31.35	27.36	36.21	30.30	31.12	25.58	30.77	22.63	23.17	N/A
3.	Health & Wealth	10.53	2.71	10.07	11.03	13.33	13.32	15.39	15.46	15.48	14.02	12.27	13.50	10.06	N/A
4.	General Admin.	14.58	9.97	15.04	19.49	21.96	17.51	27.75	26.75	3.91	10.34	7.03	9.28	7.05	N/A
5.	Information	-	-	1.41	1.32	1.96	1.66	2.43	2.08	2.80	3.23	2.86	2.31	2.60	N/A
6.	Judiciary	-	2.19	2.63	2.18	2.83	2.16	1.51	1.67	1.89	2.33	2.77	2.45	2.28	N/A
7.	Land & Survey	0.32	0.40	0.51	1.22	1.60	0.75	0.78	0.54	-	-	-	-	-	N/A
8.	Local Government	3.98	5.35	10.29	2.24	3.15	2.58	3.99	13.59	13.02	-	-	-	-	N/A
9.	State Legislature	-	2.89	3.83	2.51	4.07	-	-	-	-	-	-	-	-	N/A
10.	Trade & Industry	9.50	0.45	0.82	1.10	1.69	1.22	2.04	1.62	1.75	1.23	1.25	0.92	0.62	N/A
11.	Transfer to Capital Development Fund	13.16	37.27	16.19	10.84	2.13	21.75	-	-	10.22	10.03	-	12.43	16.34	N/A
12.	Works & Housing	3.13	2.33	5.17	6.04	5.58	5.48	5.81	4.61	4.64	5.94	-	4.54	3.68	N/A
13.	Finance	4.50	15.30	-	-	-	-	-	-	11.68	24.45	20.21	30.19	31.59	N/A

Sources: Approved Annual Budget Estimates of Kaduna State (1980-1993)

N/A = Not Available

CHART 4.1 APPENDIX IV(S)



Source: Computed from Table 4.1

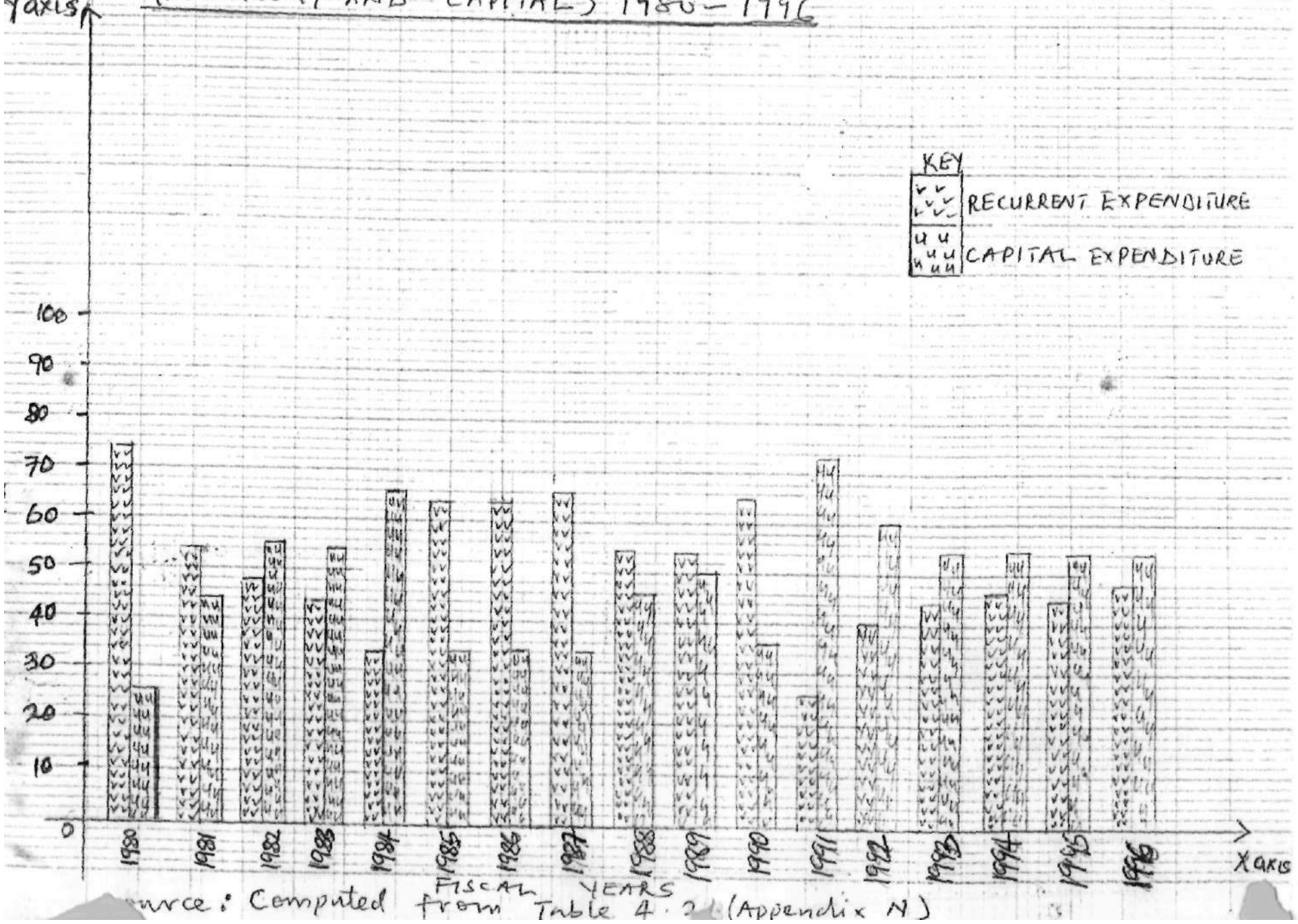
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CHART 4.2

APPENDIX IV(T)

PERCENTAGE SHARING OF TOTAL PUBLIC EXPENDITURE ESTIMATES (RECURRENT AND CAPITAL) 1980–1996

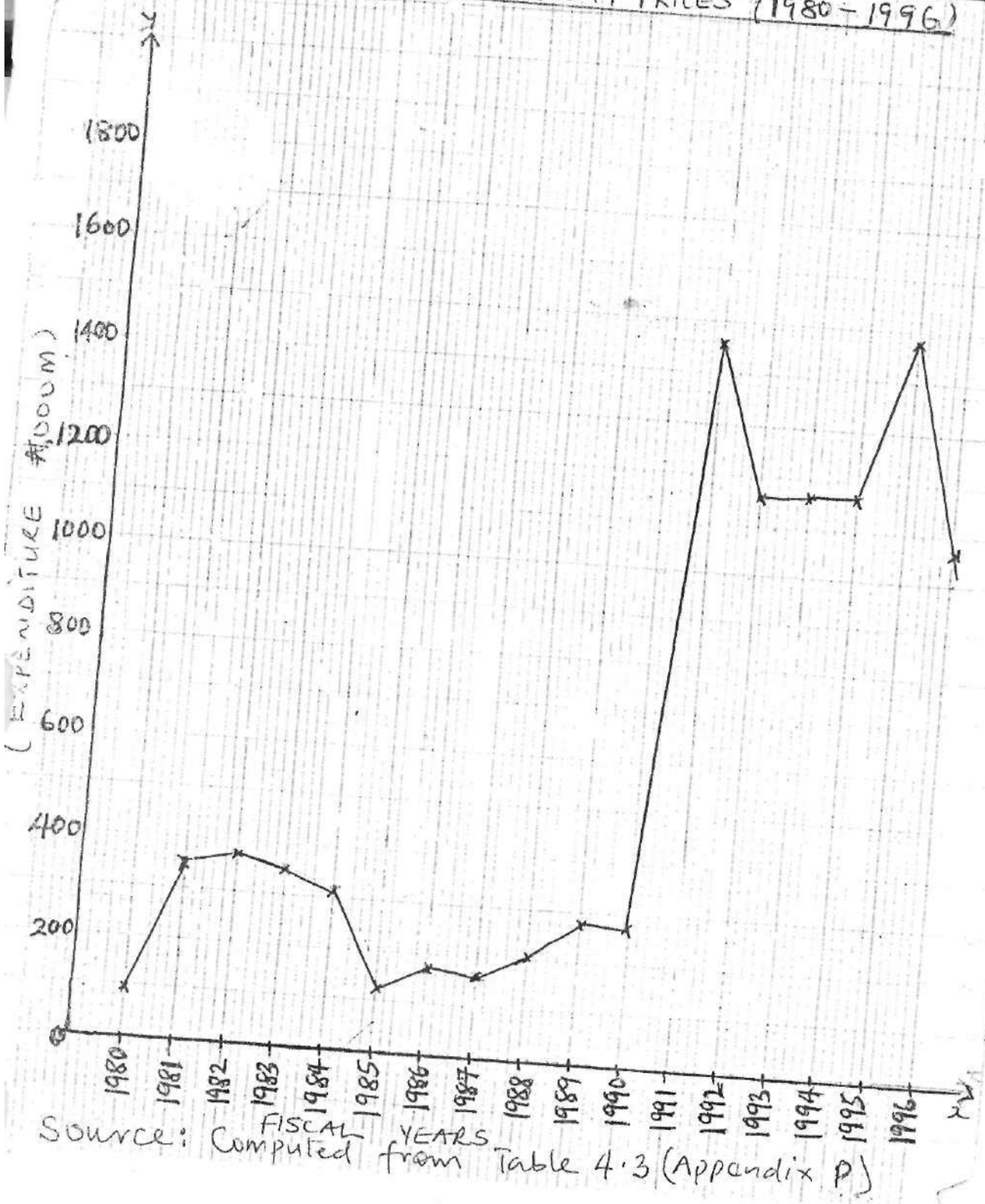


Source: Computed from Table 4.2 (Appendix N)

CHART 4·3

APPENDIX VI

FUNCTIONAL COMPOSITION OF CAPITAL EXPENDITURE ESTIMATES AT CURRENT PRICES (1980–1996)



Source: Computed from Table 4·3 (Appendix P)

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