Managing Public Expenditure In The Federal Capital Territory Abuja The Budget And planning Approach

By

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MBA Thesis 1994

DECLARATION

I hereby declare that this project has been produce by me and is a record of my own research work. It has not been presented in any previous application for a higher degree by anybody. All quotations and references are indicated with specific acknowledgements.

Ari, Isa Muhammad

Certification

This thesis entitled Managing Public Expenditure In The Federal Capital Territory Abuja: The Budget And Planning Approach by Ari, Isa Muhammad meets the regulations governing the award of the degree of Masters of Business Administration of Ahmadu Bello University, and is approved for its contribution to knowledge and literary presentation.

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The responsibility for any errors whether of facts or judgement, is absolutely mine.

DEDICATION

This project work is dedicated to the entire Ari Family who bore my absence during the production of the thesis.

ABSTRACT

Perhaps the greatest challenge to the economy of governments of developing nations is the conflict of competing stakes on limited available resources. Effective management of public spending is vital in order to counter the severe fiscal adjustments experienced in 1980s.

Most developing countries including Nigeria have to a great extent adopted wholesale reforms of the World Bank as panacea to the economic predicaments. Structural Adjustment Lending Operation, Technical Assistance and Country Economic and Sector Works are the traditional tools for the World Bank approach to the management of public expenditure. Of recent the Bank's attention has also been focused on budget and planning as means of effective control measures of public expenditure.

This research work attempts to give a modest contribution to the process identification of programme, preparation, approval, implementation and control of public expenditure through budget and planning as means of management as means of achieving set objectives and reforms of Public expenditure management were addressed in the early chapters in the light of the Evolving World Bank perspective, literature on budget, planning and expenditure control were discussed also in the early chapters.

The main aspect of the work directly lay emphasis on the means of effective management of public expenditure in the Federal Capital Territory by means of budget and planning. The means for further strengthening of preparation through implementation and control of programmes were explored, this approach will further encourage long-term desired reforms.

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CHAPTER ONE

1.1 INTRODUCTION

The drastic fall in the expected earnings of the developing countries in the 1980s occasioned by severe fiscal adjustment makes the need for improving public expenditure management vital in the developing countries. Here in Nigeria for instance, the collapse of the international oil market in 1981 adversely affected the accrued revenue. Production of crude oil fell from the projected level of 2.2 million barrels per day to 1.4 million barrels per day and prices of the crude oil also fell from 40 per barrel to 20 per barrel. Since oil accounted for about 90 per cent of the country's total revenue earnings, such a fall affected Agriculture, Manufacturing and virtually all sectors of the economy. The GDP fell from the expected 4.0 per cent per annum to a negative growth of 2.9 per cent per annum. The population growth rate per annum was at 3.3 per cent.

These severe falls on the economy consequently led to unemployment, under capacity utilisation, high rate of inflation, uncompleted projects, high level of external and internal indebtedness. National development plans were reduced to mere figures and their attainments within the planned periods were just impossible. It took the government sometime with considerable difficulty to ascertain its actual level of indebtedness and the service burden associated with such debts. In fact, most part of 1986 and 1987 were used to determine, reconcile and restructure the debt.

In this circumstance, the monocultural nature of our economy could not survive the short term measures of cutting down expenditure and controlling cost by the government. There must be distinctions between expenditure patterns and sectors to which these expenditures would be incurred. The increasing number and complexity of the public sector makes it unmanageable solely due to the lack of capacity and ability to do so, the best brains are drained and could no longer be obtained from the public sector and the technical expertise to manage the limited resources to which competing claims are made on is lacking. There are as much political and administrative problems as there are economic and technical problems.

The government over the period seems to have concentrated efforts in reducing excessive public investment programmes for effective utilisation of public resources. This however, could not yield effective results because the problems of public investment reviews cannot be treated

in isolation. In fact, it cannot be divorced from the general problems of public expenditure management. Lacey R. M. 1979 wrote among the demands on government institutions for effective public expenditure management includes "the formulation of macro economic framework, project preparation and investment programming, the link between planning and budgeting, the coverage, preparation and classification of the budget, and budget implementation and expenditure control." However, governments are faced with as many institutional and political dimensions as there are technical and economic in controlling public expenditure through budget implementation.

As a government institution, the Federal Capital Territory (FCT) was established by Decree No. 6 of 1976 of the Federal Republic of Nigeria known as the Federal Capital Territory Decree No. 6. The creation of a federal territory was necessitated by the growing inadequacies of Lagos to serve as both the seat of the central government and also the Capital of Lagos State. A Ministry and a Federal Capital Development Authority were established for the territory. Like most government institutions funded by public resources, the Ministry of the FCT was adversely affected by the earnings it received from the central government. It also became a victim of regular expenditure cuts and investment reviews. The issue of whether these expenditure cuts across the board and investment reviews really entails effective management of public resource has been discussed by experts in public resource management. Similarly, line agencies of the Ministry have over the periods submitted such lists of expenditure more than realistic budgets based on the expected available resource accrued to the core agency.

1.2 STATEMENT OF THE PROBLEMS

Most developing nations have over years sought for means of effective management of public resources by taking or attempting to take the World Bank prescription for a possible way out. The World Bank in most of these situations have approached the management of public expenditure traditionally in terms of Structural Adjustment Lending Operations (SALS), technical assistance and Country Economic and Sector Work (Lacey, RM 1989). The structural adjustment lending operations (SALs) have features of rationalization of public investment program and IMF supported budget deficit reforms, there has been no serious turn of events of the economy of these developing nations Viz-avis the management of public investment (Expenditure) programmes. Budgets have so far remained principal administrative instruments for the transformation of public expenditure programmes into concrete realities (Warren C. B. and Stokes M.T.P.U.P. 1985). The institutional capacity of core and line agencies, budgetary process and reform have of recent been included as part of the overall institutional restructuring and broadening of the policy based effective management of public expenditure as opposed to investment programmes. Thus, it marked a deviation from the bank's emphasis on planning to budgeting and the overall financial management of the developing countries.

In the FCT, like most agencies in Nigeria, little has been achieved by the structural reforms of the world bank experimented here in Nigeria with a view to evolving an effective means of managing public expenditure. The slow pace of achievement in the world Bank's perspective of public resource management have raised certain questions in the light of our experience, particularly in the Ministry of the Federal Capital Territory (MFCT).

i) Does the institutional reform programmes prescribed by the World Bank really fits as a model in the Nigerian context?

ii) Do budget execution in practical sense bear much relationship with plan?

iii) Is the planning agency (line) technically equipped and capable of evaluating the on-going planned programmes of expenditure?

iv) How informed are the officers charged with the responsibility of budget preparation and execution on the budgetary process and expenditure control.

This research study attempts to carefully analyse and propound possible answers to the questions raised, since on the spot answers could not be determined for them.

1.3 PURPOSE AND SCOPE OF THE RESEARCH

i) The research work is intended to review the existing practice on the management of public expenditure within the Nigerian context and to determine the workability of the world bank institutional framework as model.

ii) Attempt to evolve if possible, a means of bridging the gap between theory and practice of "plan" and "budget" such that co-ordination between Planning, Research and Statistics department and that of Finance and Supplies at Ministry level would be achieved, through sufficient institutional back ups for Evaluation.

iii) Determine the nature and capability of the human and material resources use for evaluation purposes in order to assess the inadequacies and suggest on ways of effective supervision and Evaluation of investment program.

iv) Finally the research study intends to determine the perceived usefulness of long-term comprehensive planning as a developmental tool and its linkage with short term plans from the budget and planning 'actors'.

This research study places emphasis mainly on budget and planning as means of effective management of public expenditure in the Federal Capital Territory. The study is divided into five component parts with each part regarded as a chapter for a clear understanding of the subject matter.

1.4 SIGNIFICANCE OF THE STUDY

The research study is expected to contribute greatly towards a more practical approach to the process of planning, evaluation and provide yard-stick for measuring planned public expenditure programme in the territory. It shall attempt to provide a process of co-ordination between 'plan' and 'budget' for effective utilization of public resource.

This study will be useful in the furtherance of research into the impact of the World Bank model of institutional reforms for the management of public expenditure in developing countries.

Furthermore this study intends to assist the national economic planners and managers of public resources in transforming plans to realistic achievements.

1.5 LIMITATIONS OF THE STUDY

This study is limited to the budget and planning aspects of the management of public expenditure, others like the traditional considerations of the World Bank in the form Structural Adjustment Lending Operations (SALS), technical assistance and country economic and sector work (CESW) were not evaluated in the research work as means of public investment (Expenditure) management, moreso it is limited to the Ministry of Federal Capital Territory.

2. Global attention on budget as a means of effective management of public resource is of recent, therefore most core and line agencies are on experimental test leaving no much room for comparison of performance, and in-depth related literature on the subject matter is really not much.

3. Typical of public organisations, informations were classified and hardly made available for this study. Most bureaucrats were highly uncooperative, the few that assisted preferred personal interview limiting the number of response, for the research.

4. Time has affected this research work from both the researcher and the respondents. The research being in partial fulfilment of a Masters of Business Administration degree was affected by other academic endeavours. Similarly, appointments and reschedule of appointments with top executives of the Ministry and Parastatals affected the response in terms of number and scope of the research.

Inadequacy of finance also limited the scope of this research work.

CHAPTER TWO

2.1 REVIEW OF PUBLIC EXPENDITURE MANAGEMENT

2.1.1 THE WORLD BANK PERSPECTIVE

The developments in institutional and policy reforms of public expenditure management is recent, but yet widening in scope an has been receiving serious attention of World Bank in order to improve public investment programmes and reduce budget deficit of developing nations.

The initial apparatus used in approaching the issues of public expenditure management by the World Bank were three related activities which includes the structural adjustment lending operation (SALS), Country economic and sector work (CESW) and technical assistance. Most countries that discussed with IMF on loan support for structural adjustment have entered into agreement for a stand by agreement or better known as Extended Fund Facility (EEF). The IMF on the other hand prescribe measures that reduces particularly the recurrent expenditure and improve public savings for a more favourable balance of payment position. The extent to which such measures of the IMF serve the needs of developing countries were at best short-term.

Structural Adjustment Lending Operations (SALS) became the pivot for which the bank determine parallel support from International Monetary Fund (IMF) for short term financial stabilization depending on the size and composition of investment programme of the needing nation. Of the thirty six granted loan and credit facility (between 1981-1986) only a few were said to have submitted proposals on their institutional reforms to support loan request (Lacey R. M. 1989). Even though short term results seems to have been achieved in countries where structural adjustments are being implemented, the administrative and institutional framework for achieving positive results are still weak. Improvements for long term results by means of project identification, selection through project implementation are necessary.

Another important apparatus used by the World Bank is the Country Economic and Sector Work (CESW). This entails reviews of public investment and expenditure, which not only assess and widens problems of public investment, but also the management of current expenditure. The World Bank Country Economies Department (CECEM) recent review centred on among others:

i) Planning and appraisal of project ability;

ii) The process of deciding which projects are to be included in the investment programme.

iii) Monitoring and Evaluation of projects;

iv) Procedure for budget.

The third major instrument of the World Bank for public expenditure management is the technical assistance. This entails the financing of expatriates and training assistance as long-term loans and credit lending as in the case of Jamaica in 1986. These includes the strengthening of those important functions of the Ministry of Finance, Planning, Central Bank. Training and temporary Expatriate lending centres on Investment programming, budget preparation and expenditure Control and Macro-Economic Strategy formulation including the adoption of common and centralised accounting monitoring system.

2.1.2 MACRO-ECONOMIC FRAMEWORK

In order to arrive at ideal models in forecasting key economic indicators several macro-economic models have come to light. The basic assumptions are about exchange rates and commodity prices.

Commodity prices have been linked through both trade flows and as well as through capital flows. The three commodity groups divided are:

i) fuels

ii) other primary commodities

iii) manufactured goods.

The financial side of the economy of industrial country models have usually been linked with the rest of the world through exchange rate and regional model by interest rate, this is particularly true of the Wharton WEFA World Model.

The OECD's Interlink Model on the other hand combines a set of semi-annual macro-economic models of 24 OECD member countries. Basically the structure of the model is divided into the domestic side reflects nominal and real GNP, prices, factors demand, private and public sector accounts. Consumption and investment are also broken down to public and private sector components. Others includes Wages, business sector accounts, government sector, domestic monetary sector, etc.

The external side of the inlerlink model covers sectors on trade and non factor services, trade prices, flow of income on investment, volume of trade and exchange rates. The imports of developing nations in this model are determined as a function of export revenues, adjusted for net interest payments net changes in transfer and financial flows. Coefficient of spendings and speed adjustments vary across country groups.

Project LINK system is another model which ties together the national macro-economic models of the major industrial countries of the world and also regions of the world through a trade matrix. It only takes into cognisance goods traded between countries and linkages are only implicitly taken into account. Like the other models discussed the LINK model take into account the uniqueness of individual country and models are produce for each country.

The World Bank Economic Analysis and Prospects Division (IECAP) also produces forecasts for several key macro-economic indicators. Forecasts so produced are further used as inputs into the Capital Flow Model (CFM) which produces projections for about 90 developing nations. (Robert E. King, Helena Tang 1989) opined that differences exist in forecasts of earlier models discussed and the (IECAP), however, the forecasts have agreed on medium-term forecast of low growth in 1989 and possible recovery of United States in 1991 and 1992. Similarly, all the models produced the same conclusion about policy, particularly the stabilisation of the global economy in the 1990s.

2.1.3 THE PLANNING CONCEPT

The term 'planning' has often been confused because of the different ways in which it means to individual users of the world. When broadly used, it becomes even more difficult to determine the basic elements of planning and policy making. Thus, writers on planning seem to define the term planning in terms of its perceived elements. Varying definitions have therefore been propounded based on elements of planning as choosing among alternatives, allocating resources, means of achieving goals and a means of future forecast.

The Billy E. Goetz (1949) definition of planning emphasise the concept of "choice". He defines planning as "fundamentally choosing", and "a planning problem arises only when an alternatives course of action is discovered". Nyerere J. (1969) seems to be in agreement with the choice approach, when in a speech to launch Tanzanian's second Five Year Plan planning, he said 'means choosing between many desirable activities because not everything can be done at once'. George Baldwin (1967) regards planning as a "top-down, bottom up process:. He further

describes it as "a process of examining alternative paths, alternative means to achieve ends, alternative policy frameworks, alternative priorities in tackling major tasks and an identification of the key problems ... to be met as the sector moves forward". K. B. Griffin and J. L. Enos (1970) in buttressing planning as an alternative strategy refer to planning as "one of the most modern techniques of all". Comprehensive planning comprised the formulation and interrelation of society's goals and the systematic determination of the various ways and extent to which these goals can be attained". In an attempt to provide a comprehensive definition of the term 'planning' by looking at its basic elements, D. Conyers and P. Hills (1984) define planning as "a continuous process which involves decisions, or choices, about alternative ways of using available resources, with the aim of achieving particular goals at the same time in the future". The confusion on the use of the term 'planning' led Wildavsky (1973) to title his article 'If planning is everything, may be its nothing'.

However, at least, to an extent, the theorists of planning seems to agree with elements which could be associated or seen from the numerous definitions of the term. A very important element of planning is the decision of which path to take or what possible number of courses of action can we adopt to a particular problem. The concept of choice could be viewed in terms of what is to be done and which alternative means will achieve desired objectives? The relationship between planning and decision-making is so important that planning in theory deals with alternative approaches to decision making. Planning as a means of allocating resources involves deciding on how to make the best use of available resources in order to meet the set objectives, the limitations of available resources and unlimited wants of human beings justify why planning involves the decision on which desirable action should be given priority in terms of allocating resources. Planning has a purpose and set goals, the use of resources and the choice of alternative means is but, for achieving the set goals. Planning as means of achieving set goals raises questions as to how goals are formulated and the nature of the goals themselves. Goals are usually not adequately defined, or unrealistic or both when compared with the available resources. Forecasting for the future is also an important element of planning. Inevitably, planning concern the future because set goals are expected to be met in future. In 1977, the Independent Commission) was set up to concerned with examining relevant trend in the world economy, particularly for the 1980s and also looking further into the future.

There is no universally accepted method of classifying planning activities, the most commonly used methods are the nature of planning goals and the operational levels of goals. D.

Conyers and P. Hills (1984) examined four different but related criteria to include:-

i) The nature of the planning goals;

ii) the scope of the planning activities

iii) the special level of the planning activity;

iv) the operational level of planning activity.

Albert Waterson (1965) identifies four broad categories of planning, namely:

i) 'War-time planning', which might be more aptly described as planning in a case of emergency including unforeseen natural disasters.

ii) 'Town and country planning', usually referred to as 'Land-Use planning', 'Urban and Regional planning', 'town planning' or 'physical planning' in the developing nations.

iii) 'Anticyclical Planning', developed nations have use the term as a design to maintain stability in a national economy and, in particular, to balance the reactions of booms and depressions which have of recent characterise the world economic history.

Planning activities varied immensely in developing countries. Ramgopal Agarwala (1985) referred to such planning as 'the planning experience' after a survey of more than 300 plans formulated for over 30 years classified the plans into four broad categories:

i) Those plans where comprehensive, central medium-term planning has been practice with backing of the political authorities and influence both public and private spending. Such countries include North Africa, India, South Asia and Eastern Europe.

ii) Those where planning serves as ways of controlling and directing public spending and of setting basis of active cooperation with the private sector including foreign investment. Here the land mark is flexibility and adoptability to changes. Korea, Malaysia, Taiwan [illegible] common examples.

iii) Those where comprehensive planning was only applied to by the political authorities only for soliciting external aid, even though central plans were formulated most sub-saharan African fall into this category.

iv) Those where there is little or no emphasis on central planning and where private investments are directed essentially by price indicators arising from a relatively free functioning market.

However, Robert L. (1989) observed that since the 1950s and 1960s a major change has taken place in both the attitude of the World Bank and the developing countries towards the centralised comprehensive planning. Some countries do not emphasize on the comprehensive planning while in some other countries a great reliance is placed on market forces and individual incentives. In most sub-saharan Africa planning agencies have been reduced to the vetting of investment projects and programmes. Where planning goes beyond vetting they are more or less an academic exercise without real political baking. In countries where planning still continue reflecting the special relationship between government and the private sector, the plans, are not strictly adhered to in terms of target but rather flexibility and consultations.

A number of reasons could be established for changes in centralised comprehensive planning, some of them are due to the "structuralist" view of development which characterises developing nations by social, cultural and institutional factors that affects change positively or negatively. The oil shook of 1970s set a blow to the role of central planning in developing world. Financial survival became the order of the day giving credence to short term planning which in the long-run affected both medium and long-term planning including investment programming and public expenditure management.

The planning in the short-term will be constraint by both exogenous and endogenous factors to the public sector management and the economy of a nation. The allocation of resources for the recurrent and capital expenditures will be affected in terms of composition, size and phasing of programmes, there is always a trade-off between different expenditure patterns within a sector and also between sectors. A more coordinated approach adopted by IMF and the World Bank is the process of medium-term expenditure planning (MTEP), this is of a three-to-five year time scope. The components of the MTEP are broadly classified into three.

a) the linkage of macro-economic analysis of growth of national income, investment, savings and balance of payment to public expenditures and revenues.

b) A well phased out multi-year public investment program, rolling and outlays reviewed annually;

c) a fiscal plan, which should include:

   i) forecast of revenues at existing rates of taxation and consistent with the macro-economic assumptions:

ii) forecast of non-tax revenues based on macro-economic projections but without any changes in policy;

iii) projection of additional revenues which may be mobilized by, for example, higher tax rates, a different tax structure, or institutional and administrative reforms in tax collection;

iv) projection of extra income resulting from changes in the policy framework of public enterprises, public sector pricing policy and changes in social service sectors etc;

v) projection of available of resources for domestic and external borrowing and grants; and

vi) estimation of current expenditure including debt-servicing defence, administration and recurrent expenditure on development both committed and anticipated discretionary expenditure.

The MTEP provide basis for analysing the planning of public expenditure from a macro-economic framework at least to ensure consistency and also a system of judging plans and budgets for given periods. So far MTEP in developing countries were in projects formulated over three year period, rolling and updated annually.

2.1.4 BUDGET AND BUDGETARY PROCESS.

The public sector budget is increasingly becoming the most important apparatus for resource allocation, control and management. Public managers have always viewed budget as the principal vehicle for developing and translating plans and policies into action. As a complex process which means different thing to different people budget has been upheld by theorist in the field Thomas D. C. (1979), Barky B. and Jeffrey S. (1982), A Premchand (1984) have variously tend to agree with the complexity of Budget. The budget, hence, become a multi-dimensional policy tool. J. Wanat opined seven 'facets' in which public budget can be perceived. He further stress that 'the budget can be see as any or a combination of, or indeed all of the following:

i) An allocation mechanism whereby a significant proportion of the nation's resources are channelled into efforts decided upon in the government sector;

ii) a process that organizes the appropriation of money by elected leaders for specific purposes;

iii) a stylized interaction among groups of governmental elites, all of whom have specifi c interest stakes and motivations for seeing particular budgetary outcomes;

iv) a technical tool for controlling expenditures, for managing agencies, for particular programmes;

v) a ritual in which many political and governmental figures go through the paces leading to a nearly fore-ordained conclusion;

vi) plain and simple politics, by which is meant who gets what, when and how; and

vii) a measurement of certain outputs of governmental system.

The definition of 'Budget' is as complex as it is diverse from the perception of the individual on how he view the term budget. Thomas D. Lynch (1979) defined Budget as "a plan for the accomplishment of programmes related to objectives and goals within a definite time period including an estimate of resources required, together with an estimate of the resources available, usually compared with one or more past periods and showing future requirements".

Another definition is by Aaron Wildavsky (1985) he says "In the most literal sense a budget is a document containing words and figures, which proposes expenditure for certain items and purpose. The words describe items of expenditure (salaries, equipment, travel) or purpose (preventing war, improving mental health, providing low income housing) and the figures are attached to each item or purpose... In the most general definition, budgeting is concerned with the translation of financial resources into human purpose".

Robert Lee and Ronald Johnson also define budget as "a document or collection of documents that refer to the financial condition of an organization (family, corporation or government) including information on revenues, expenditures and purposes of government ... Budgeting, on the other hand, can indeed be viewed and understood as a system ... a set of units with interrelationships among them".

Abubakar Halidu (1986) approaching public budget in a comprehensive view point defined budget "as an aggregative policy instrument for organising and articulating governmental goals and objectives often expressed in terms of programmes and projects usually accompanied by a financial plan and the instruments for not only attaining some predetermined goals but also for imposing checks and balances on the relationship between government and the governed. Budgeting is in this regard, the art or science of making or determining the budget".

With the exception of the first definition all others have clearly differentiated between 'budget' and 'budgeting', similarly, all the definitions have significantly agreed on the basic elements of budget or what is universally accepted as constituting the elements of budgeting.

Budget functions in so many numerous ways which may include the following:-

i) Provide assistance in resource allocation;

ii) serves as an analytical tool for predicting performance;

iii) guide future performance by using the analysis of past performance;

iv) serves as a control device;

v) serves as a mechanism in which plans are translated into reality;

vi) help in managing programmes and measuring efficiency;

vii) instrument for achieving accountability both internally and externally;

viii) influence the general economic conditions of an organisation.

2.2 DEVELOPMENT PLANNING AND ANNUAL BUDGETS IN NIGERIA

2.2.1 Review of Past National Development Plans

Nigeria has drawn up four development plans in its bid to finding alternative strategies to development in the first two and half decades of its independence. The first and second development plans had plan capital expenditure estimates of N2.2 billion and N3.2 billion respectively. The third development plan was estimated to cost about N53.6 billion after a review from an initial N30 billion capital expenditure estimate. The forth National Development plan took off with N82 billion projection in 1981 to last for another five year term from 1981-1985.

Except the Federal Government, most State governments could not achieve half the plan target in the forth NDP. The federal government for example achieved 55 per cent of its programme target. Rivers State achieved 41.9 per cent, Sokoto 36.6 percent, Plateau 33.2 per cent, Kwara 32.8 percent and Bauchi 32.1 percent. Thus, leaving high concentration of uncompleted projects in the states.

Hardly did the forth NDP programme took off than the recession period sets in globally. The international oil market dramatically took a new turn with oil prices per barrel falling from N40 per barrel to N28 per barrel and the output dropped from the anticipated 2.3 million barrels per day to 1.3 million barrel per day in 1982. The oil prices condition worsened in subsequent years such that by 1985 the price of crude oil per barrel fall to about N11 and output went down to below a million barrels daily. Consequently, earnings in oil revenue fall from $24 billion in 1981 to $16 billion by 1985, shattering the dreams of the development planners and the plan.

The government could no longer meet its external obligations to creditors but the trend of purchases continued uptill 1983 despite the fall in the revenue accrued from oil, during the period, government indebtedness to the domestic economy (internal) grew tremendously. Inflation and unemployment set in with a lot of uncompleted projects scattered everywhere in the country;. In reacting to these trend the government adopted the Economic Stabilization measures of 1982. These measures increases tariff, taxation, import restrictions and other demand management measures. The approaches were tightened further in 1984 and 1985 when the military took-over power.

The failure of the belt tightening by way of demand management measures led to the introduction of the Structural Adjustment Programme (SAP) in September 1986 with the following objects:

i) Restructuring and diversifying the productive base of the economy in order to reduce its dependence on the oil sector and on imports;

ii) achieving fiscal and balance of payment viability in both short and medium term;

iii) laying the basis for a sustainable non-inflationary growth;

iv) reducing appreciably the dominance of unproductive investments in the public sector, improving the sector's efficiency; and

v) enhancing and intensifying the potential of the private sector.

The exchange rate system of the domestic currency fundamentally became a vital instrument. The open bidding replaced the previous exchange rate system with an aim of achieving the following objectives:-

i) Greater reliance on relative prices as a means of reducing demand for imported goods, encouraging the use or consumption of local resources;

iii) enhancing the value of local agricultural products through the promotion of agricultural production;

iii) discourage import-oriented-assembly type industries that make heavy demand on foreign exchange; and

iv) the general promotion of non oil exports.

In addition to the exchange rate system used in SAP other key instruments were adopted for the adjustment programme which included trade liberalisation, rationalization of public sectorInvestment programmes by ways of privatisation and commercialisation, adoption of appropriate pricing policies, tight monetary and fiscal policies as a means of reducing government deficit financing and counter inflationary trends.

The Gross Domestic Product (GDP) when compared at 1984 constant prices stagnated during the year 1982 and in the succeeding years recorded persistent decline uptil 1984, this is mainly due to the economic recession experienced in 1981. The GDP declined from about N78.197 billion in 1982 to about N69.95 billion by the end of 1984, recording a negative growth rate of about 3.6 per cent per annum. In 1985 the GDP recorded an impressive positive growth rate of 7.9 per cent, the trend of positive growth rate continued up to the 1988 fiscal year such that

the GDP recorded an average of 4.2 per cent growth in real terms from 1985-1988. The GDP at 1984 constant factor cost also increased at an average of 5.0 per cent between 1989-1992. With the main sources of growth being agriculture, manufacturing, crude petroleum, finance and insurance.

Much of the success of positive growth of the GDP recorded between 1985 - 1992 has been attributed to the Structural Adjustment of the economy. Chief E. A. O. Shonekan as Chairman of transitional Council and head of Government in presenting the 1993 budget Speech confirmed the assertion by saying:

> "Overall, the economy seemed to have responded positively to the structural adjustment measures. This is least illustrated by the overall growth of the economy, improved sectoral performances and reduced pressures in the external sector. What would have happened without the adoption of SAP, could be better imagined than experienced. It is generally believed that the situation would have deteriorated further. Much as its implementation could be improved upon, its adoption has brought about indelible changes in our social and economic landscape. After a slow growth rate of 2.2 per cent in 1986 and actual decline of 0.3 in 1987, the Gross Domestic Product (GDP) at the 1984 factor cost registered a growth rate of 7.0 per cent in 1988. Also between 1989 and 1991 and average annual growth rate of 5 per cent was maintained". 11

The Gross Fixed Capital Formation (GFCF) was about N12.217 billion and N4.87 billion in 1981 and 1985 respectively. This is contrary to the anticipation of the Forth National Development Plan, GFCF was expected to rise from about N13 billion to over N20 billion projection

between 1981-1985 during the plan period. However, by 1986 an increase of 59 per cent was recorded over the preceding year.

Balance of payments deficit also characterised the forth NDP period. Deficit balances were recorded in the external sector current account between 1981 to 1983, these were mainly due to declining level of export earnings and debt serving burden. The balance on the capital account also declined from N930 million to N172 million in 1981 and 1984 respectively. It further declined to negative balance between 1985 and 1988. During the same period the debt profile also continued to increase both in terms of external and domestic debt.

2.2.2 NATIONAL ROLLING PLAN

The realisation of a medium term public expenditure planning by way of Three Year Rolling Plan and perspective planning instruments was decided by the end of the year 1988 with the first National Rolling Plan (NRP) becoming operational in 1990. This plan has been referred to as the Economic Consolidation and Expansion programme. The Rolling Plan review will be in the light of experience during the proceeding year and the imperatives of perspective plan.

The main objective of the First National Rolling Plan (1990-1992) in the view of the government is to consolidate the gains of he Structural Adjustment Programme and also act on other pressing problems of the economy. thus giving other objectives of the First Rolling Plan (1990-1992) to be as follows:

i) Attainment of higher levels of self sufficiency in food production and agro-based raw materials;

ii) laying a solid foundation for a self-reliant industrial development as a key to self sustaining, dyanmic and non-inflationary growth, and promoting industrial peace and harmony;

iii) curing unemployment by creating more job opportunities;

iv) enhancement of the level of socio-political awareness as a means of strengthening the market base economy and reversing the downward trend economy.

As part of the strategy for achieving the laid down objectives of the plan, priority programmes were determined for the achievement of the objectives of the Three-year Rolling Plan as follows:-

i) Integrated rural development, including the Agricultural Development Programmes in all the States of the federation, rural road networks and the development of river basins;

ii) Providing infrastructures of basic necessity like roads, mass transportation facilities, power supply and portable water supply;

iii) completion of on-going industries and the strengthening of existing ones;

iv) developing small scale industries;

v) maintaining industrial peace and harmony, intensifying cooperative awareness promotion of productivity consciousness and enhancing of the programmes of the National Directorate of Employment;

vi) improving the administrative machinery and bureaucratic framework for coordination of public sector intervention in the economy;

vii) laying foundation for reducing population growth rate.

It is expected that programmes of capital nature will concide with the rolling plan and be revised every year and the process repeated every year to maintain a linkage between the rolling plan and the annual budget. This will lead to an integrated planning process linking annual budgets, rolling plans and perspective plan.

2.2.2 ANNUAL BUDGETS

Public sector "Budget" has been discussed in the early part of this chapter. For the purpose of closer understanding of how budget assume significant role within our environment, Aboyade (1976, p.99) states that "the government's annual budget has in the course of time become one single most important and pervasive instrument for resource allocation, management and control in the public sector. The budgetary process also serves as a veritable forum for resolving political conflict. Most issues of public policy, diverse and complex as they are daily becoming, find operation expression in the budgeting and financial system of a government. Thus, government budgeting, an exercise (or more appropriately, 'annual ritual') that was developed initially to serve the purpose of legislative accountability has today evolved into a potent policy process which provides the melting pot in which most other policy instruments find operational expression".

The budget can be traced to the colonial era in Nigeria. The British colonial administrators met an elaborate system of indirect rule and taxation in Northern Nigeria, where the Emirs and chiefs were responsible for the collection of taxes and incurring expenditure for their dormain. The Treasury was thus removed from the Emir and Chiefs and all public funds were kept in a Consolidated fund.

As a constitutional provision the system of keeping all public funds in consolidated fund has been enshrined in the 1979 constitution (suspended). In section 75 (1) of the Federal Republic of Nigeria Constitution 1979 it states that

> "The President shall cause to be prepared and laid before each House of the National Assembly at any time in each financial year estimates of the revenues and expenditures of the Federation for the following financial year".

The terms "revenue and expenditures" do refer to the budget at least in a narrow sense, however, the projection of incomes (revenue) and expenditures in a broader sense with additional information on other monetary and fiscal policies of the financial year consist the budget documents of the year.

There are several approaches to budgeting in which governments adopt at different levels, however, there is no one acceptable technique that is most workable in finding solutions to budgeting problems. The most commonly used systems of budgeting can be classified below:

i) Performance
ii) Planning-Programming-Budgetting System (PPBS)
iii) Zero-Base
iv) Incremental
v) Bracket Budgetting
vi) Line-item
vii) Formula

PERFORMANCE BUDGET.

The major elements of performance budgetting are the classification of activity, performance measurement and reports. It is a budgetary process that focuses premium on allocation of resources on the basis of past performance or future anticipation. Peterson (1976 p.2) described performance budgeting both in term of "a budgetary structure that focuses on activities or functions ... which produces results ... and for which resources are used" and as" a budgetary process that attempts to allocate resources on the basis of anticipated or past results". The criteria for measuring performance have become more difficult particularly when such performance is

to be attributed to a unit of an organisation. Schick (1971) however, sees the principal thrust of performance budgeting as that of improving efficiency by means classifications and work/cost measurement. Performance budget usually lack the support of legislators because of its rational approach in considering economic situation of a country.

Planning-Programming-Budgetting System (PPBS)

There are ten distinctive features or steps in PPBS (Parden, 1971, Novick, 1973), these includes:

1. The establishment of specific organisation objectives and goals.
2. Alternative programmes should be developed in order to achieve the stated objectives.
3. Determining the resources to be required for each chosen alternative.
4. Estimating benefits accrued from each programme alternative subject to the outcome of each alternative.
5. Analysing both direct and indirect costs as a means of determining the long-term fiscal implication of the plan.
7. Compilation of annual budget.
8. Evaluation of success achieved in terms of benefits gained from the programme.
9. Revising planning standard.
10. Repeating the circle all over again to include changes in objectives, goals, strategies, source availability and the environment.

PPBS is a long term planning device that entails centralised macro-economic policy (Pyhrr 1973). The major benefits of PPBS have been stated by (Babunakis, 1976) to involve the evaluation of

i) the efficiency and economy of programmes;
ii) alternative programmes or alternative ways of implementing the same programme, and
iii) giving priority to various programmes to determine their overall effectiveness.

Policy design is one of the major disadvantage of the PPBS, the system demand more than what the human abilities can carry making its workability almost impracticable (Harlow 1973) (Wildasky 1975). Another disadvantage is that of the programme implementation particularly during period of economic decline, a lot of funds could be wasted planning the wrong thing efficiently (Novick, 1973). Thus, the system focuses more on "what will be done, not how to do it", (Phyrr 1973, p.12).

Zero-Base Budgetting (ZBB)

Phyrr (1951, p.645) define ZBB in this way "the term Zero-base does not mean that everybody's position is automatically 'Zeroed'. What it does means is that we must evaluate all activities to see if they should be eliminate, funded at a reduced rate level, funded at a similar level or increased. Which of these funding levels ... from zero to a significant increase ... is appropriate will be determined by the priorities established by top policy makers and by the availability of total funding.

(Phyrr, 1981) went further to identify problems of traditional approaches that led to the development of the ZBB and are stated as follows:

i) Management are often force to recycle budgetting process because proposals often exceeds the funds available for the plan period;

ii) difficulty in translating long-range objective into action plans;

iii) important problems and areas of decision making are not highlighted;

iv) lack of the identification of alternatives;

v) difficulty in adjusting budgets and operations readily to changing situations since workables are not clearly identified;

vi) lack of identification of trade-offs among long-term goals, programmes, operating needs and output.

According to Victor (1987, p. 58), four basic steps are involved in the approach by ZZB which are:

1. Identify (develop) decisions packages which identify and describe distinct activity, function or operation in such a definite manner that top policy makers can:-

   a) evaluate and rank the activity against other competing activities for the limited resources:

   b) decide whether to approve or disapprove it,

2. Analyse each decision unit in a decision package.

3. Evaluate and rank all decision package to develop the budget proposal.

4. Prepare the detailed operating budget reflecting those decisions package approved in the budget.

ZBB has a micro-economic approach emphasising more on efficiency of changing objectives to real operating plans. It demands a justification of every activity at the beginning of every plan from the base (Carter, 1977). The system provides fiscal accountability, participation in decision making, reduces costs and increase efficiency by assisting in reducing inefficient procedures. Duplication of efforts and search for redundant operations.

Incremental budgetting

It has been defined as a budgetting technique in which a given increase (or decrease) is added to (or subtracted from) the budgeted amounts of the preceding period to arrive at a new budge figure. (Victor 1987, p.55). Uniform ratio of increments are frequently made for line or group of budget items in order to arrive at a new budget figure (Caruthers, 1979).

Incremental technique which seems o be the oldest approach enjoys the advantages of being flexible and does not require much work and analysis (Wildavsky, 1975) attest to the fact that the system causes least conflict since most budget participants implicitly assumes each budget unit will receive at least as much on which to operate next year as they received for the current period. The major disadvantages include the emphasis of the system on value in monetary terms than on purpose of the organisation, efficiency on the use of resource is not a major concern and that new activities are giving more prominence than existing ones.

Bracket Budgetting System (BBS)

According to Curran (1981), BBS is a synergisic combination of basic concepts in modelling, simulation, and synergistics that gives management an equalled understanding of the future". the system is intended to compliment the conventional budgetting technique to overcome inadequacies associated with traditional begetting approaches. Compute application is central in BBS in order to perform innumerable calculations required for the forecast.

The major criticism of the system is that its too technical for most organisations in developing nations.

Line-Item Budgeting

Babunakis (1976, p.8) defines line-item, budgetting system as a "financial plan of estimated expenditures expressed in terms of the kinds of, and quantities of objects to be

purchased and the estimated revenues needed to finance them during a specified period, usually one year". Primarily, expenditure control is the focus of the line-item budget, this is achieved by means of vote control for the assigned fund utilisation and protection of fiscal resources. The system emphasise on quantity increase or decrease rather than what should be done (Howard, 1973), furthermore line-item budget does not provide for alternative choice of method in order to accomplish a given task.

Formula Budget

This is a budgeting system in which financial requirements or operating needs of an organisation is determined by the use of or application of a formula. This type of budgetting technique provide uniformity and easy means of preparing and presenting budgets (Moss and Gaither, 1976), it also provide rational basis for equitable distribution of funds among agencies or budge units (Caruthers, 1979).

The major demerit of this system of budgetting is that it discourages innovation practices since whatever the efficiency rate the allocation of resource will be made in accordance with specified formula.

2.2.4 RELATIONSHIP BETWEEN BUDGET AND PLANNING

Government budgets are generally viewed as tools through which public expenditures are translated into real achievements based on the accrued revenue to the government. While the integration of annual budgets into Multi year projections are normally referred to as phase (baun and Tolbert, 1985). In practice many countries of the world have found it difficult to link planning and budge together, Lacey (1989, 17) put across seven reasons for the failure o provide an adequate link as follows:

a) 'Crosswalk' documents and systems such as forward budgets do not, unlike the regular annual budget, have the force of law. Consequently, less attention is inevitably paid to them by both legislators and civil servants.

b) Forward budgets are frequently overambitious and try to transfer to the planning and forecasting framework the full complexity of budgetary classification and line items.

c) On the other hand, the development plans which should form the strategic basis for budgetary formulation though specifying general sectoral ceilings, frequently do not contain a consistent and comprehensive list of projects and programmes.

d) The institutional mechanisms for inter ministerial discussion based on project submissions by the sector ministries, and involving both the planning and finance ministries, frequently break down in practice.

e) For both legal and practical reasons, those responsible for preparing the development plan and (if it exists) the forward budget frequently have less prestige than those who prepare the annual budget which actually determines the allocation of financial resources. Less attention is therefore paid to their work by major actors at all stages of the process.

f) Those responsible for preparing and executing the annual budget are often subject to overall budgetary ceilings which may have to be suddenly arbitrarily lowered in response to a drop in resource availability.

This inevitably affects the creditability of the planning exercise.

g) The time available for completing the budge cycle is often barely sufficient and does not make allowance for the more complex requirements of negotiating and incorporating plan targets.

Attempts have been made over the years to integrate the planning ministry and that of budget, the experiences have been mixed, and means to improve coordination between these offices should regularly be exploited. Presently, the planning and budget ministries are independent, defence of budget proposals and rolling plans by line ministries and extra ministerial departments are done to each separately, however, different approvals for the year's capital expenditure estimates could certainly be given.

2.3 PUBLIC EXPENDITURE MANAGEMENT IN THE FEDERAL CAPITAL TERRITORY

2.3.1 BRIEF HISTORY, POLICIES AND OBJECTIVES

The need for a new capital city for the Federal Republic of Nigeria was necessitated by the untractable problems of Lagos which makes it unbefitting of a capital city. The major problems were traced to include poor topography, congestion in terms of traffic, environmental pollution, housing which leads to continuous loss of man-hours and mental distress.

In August 9, 1975, the Federal government under the leadership of late general Murtala R. Muhammad announced a Seven-man committee headed by Dr. Timothy Akinola Aguda to examine and advise the government on the suitability of Lagos remaining as the sit of government of the federation. The terms of reference of the Committee were:

i) to examine the dual role of Lagos as the Federal and State Capital, and advise on the desirability or otherwise of Lagos retaining that role;

ii) in the event of the committee finding that Lagos is unsuitable for such a role, to recommend which of the two Governments (Federal or State) should move to a new capital;

iii) in the event of the committee finding that the Federal Capital should move out of Lagos, to recommend suitable alternative locations having regard to the need for easy accessibility to and from every part of the Federation.

iv) to examine all other relevant factors which will assist the Federal Military Government in arriving at the right decision;

v) to submit its recommendations to the Federal Military Government not later than December 31, 1975.

The Committee submitted its report eleven days earlier with thirteen factors criteria in order of priority namely:

i)	Centrality	22%
ii)	Health and climate	12%
iii)	Land Availability and use	10%

iv)	Water supply	10%
v)	Multi-access possibilities	7%\
vi)	Security	6%
vii)	Existence of local building materials	6%
viii)	Existence of local materials	6%
ix)	Drainage	5%
x)	Soil	5%\
xi)	Low Population density	6%
xii)	Physical Planning Convenience	40%
xiii)	Ethnic Accord	3%

The territory was carved out of Niger, old Kwara and Plateau States. On the World Map the territory lies between latitude 8° 25' and 9°20' North of the equator and longitude 6°45' 7o39', East of the Greenwich median, this therefore places the FCT in the centre of the country. With a land mass of 8,000 square kilometres the territory share boundaries with Kaduna State to the North, Plateau to the East and South East, Kogi to the South West and Niger to the West..

The Federal Capital Territory Decree No 6 of 1976 was promulgated on February 6, 1976 giving the new Capital Territory a legal backing. Federal Capital Development Authority (FCDA) was also established by the decree. The ownership, control and the administration of land was rested on the government. The Decree No. 12 of 1985 entrusted executive powers and responsibilities of administering the territory, vested in the President, to an appointed Minister.

For effective administration, development and coordination the territory has a Ministry, four Area Councils and nine development areas. There also exist eleven parastatals in 1993. The development of phase one of the city is almost completed while preparations for the second phase have reached advance stage. The sit of government has finally moved to Abuja in January 1992.

2.3.2 BUDGETARY ORGANISATION AND DECISION MAKING PROCESS

The focus here is on the authorities of the finance department of the Ministry to determine impediments to use of the budge as an effective policy instrument. Generally, departments of finance and supplies of line ministries have been divided into three divisions by the civil service

reforms of 1988 namely: Accounts, Budget and Supplies. Whereas the budget division exist in the Ministry it has no inspectorate role of parastatals towards achieving budgetary objectives. There is no office in the finance department that is responsible for analysing and directing government operations along the same line. The actual number of civil servants in the ministry may not easily be determined by the finance department let alone other public servants in each of the agencies and parastatals of the ministry. Determination of total wage and non-wage cost cannot be accomplished making bench marks for assessing performance and projection of expenditures difficult, no formidable criteria can be determined for expenditure ceilings.

Lack of coordination of budgetary activities of the ministry with that of agencies in terms of defence of proposals submitted by the agencies. Since the department does not analyse the objectives of each agency it will also be difficult to provide standard for measuring budget performance of each agency, greater emphasis therefore cannot be placed on budgetary allocations as means of achieving objectives.

The budget calendar has not been put into real practice if at all it exist. A through calendar should be flexible and show periodic variance resulting from exogenous factors like fall in revenue, disasters and inflation. More often calendars accompany the annual budget "call Circular" which provide guidelines that ensure compliance of estimates with minimum expected revenue. The time frame of the time table (calendar) is so short for meaningful preparations. Over the years the department of finance and supplies of the ministry issue interim guidelines to departments and agencies, when such guidelines differ with that of the core ministry the whole exercise will have o be recycled once again. The system of budget preparation here can best be classified as hybrid systems affected by several factors, the Central Bank of Nigeria (CBN) now acts as a banker like in France, emphasis particularly of social service sector is on expenditure like in Britain (Premchand, 1983).

2.3.3 BUDGET IMPLEMENTATION AND EXPENDITURE CONTROL

The process of authorisation, disbursement and systematic monitoring of expenditures to line departments and agencies have been constitution problems in achieving budget objectives. The main problems associated are that of timely releases of funds, adequacy and evaluation of the usage of funds so released.

In the preceding years 1992 and 1993 a lot of improvements were witnessed in the release of funds to the line departments and agencies. The department is also limited by what it receives, and when it receives the funds for disbursement, quarterly allocations of fund based on the national revenue accrued during the period have been adopted. However, the fund allocated are usually inadequate in some situations the final quarter allocation is not made. Although this affect projections and project executions, estimates presented by both line departments and agencies are unrealistically formulated giving room for across the board cuts.

Although greater freedom for spending will always be advocated for agencies a contra match for accountability in terms of monitoring, rendition of periodic returns and achievement of objectives will not only be desirous but essential. Considerable determination and will to control should follow procedural steps to be adopted by the department to control expenditure. An office could be created under the budget division for the control and also periodic assessment and reviews of objectives in line with macro-economic goals.

CHAPTER THREE

METHODOLOGY OF THE RESEARCH

In this chapter three broad divisions have been made in explaining the methods used in undertaking the research work.

3.1 METHODS OF DATA COLLECTION

Generally, the survey research method by an extensive use of questionnaires was adopted for the research. The fact that the research is on managing public expenditure in the public sector, responses from the questionnaires alone became inadequate, face to face interviews with structured questions were administered. Respondents who are seasoned administrators were allowed to freely express their opinions to what the researcher considered to be the human side of planning and budgeting. The opinions expressed by the public servants (outside the structured questions administered) were found to be interesting and common with those of others alike who have been involved in seeking budgetary allocations from the finance ministry in poor countries. An Argentinian budgeter says "to get paid for the amounts approved from previous years. We send letters, make telephone calls, get the head of the agency to talk with the finance minister. We cater to delegates from finance by being nice to him, by being nasty to him. We compile impressive statistics..."

The researcher's experience of more than five years in the preparation of, and defence of budget estimates for the Federal Capital Primary Schools Management Board and the Agency for Mass Education has been brought to bear.

3.2 CRITERIA FOR SAMPLE SELECTION AND BRIEF DESCRIPTION

The Ministry for Federal Capital Territory like all other federal ministries has a department of finance and supplies and that of planning research and statistics. The ministry has about twelve parastatals namely:

i) Environmental Protection Board
ii) Water Resources Agency
iii) Urban mass Transport Company
iv) health Services Management Board
v) Directorate of Foods, Roads and Rural Infrastructure (DFRRI)
vi) Sports Council
vii Agency for Mass Education
viii) Pilgrims Welfare Board
ix) Council for Arts and Culture
x) Women Commission
xi) Primary Schools Management Board
xii) Area Council Service Board.

Most of these parastatals are of social service nature they include Education, Health, environment, Women development among others. They are set-up by FCT Regulations in accordance with the enabling decree No. 12 of 1985 which established the Ministry of the Federal Capital Territory and empowers it to make edicts for the territory; administer, control and approve, development plans and activities for the territory.

3.3 SOURCES AND ANALYSIS OF DATA

The major sources of data are the primary and secondary sources which included the use of unstructured open ended questionnaires and personal interviews for the primary data. The secondary data included the use of official documents in a restrictive sense, library materials both published and unpublished World Bank reports and discussion papers, newspapers and magazines, budget speeches among others.

The questionnaires were administered on two levels of budget interest groups namely the policy makers (Directors and Deputy Directors) and budgeters and planners. Different sets of questions were administered to these groups in selected parastatals and departments at random.

A total of thirty (30) questionnaires were administered, 15 copies of questionnaire for policy makers and 15 copies of questionnaire for budgeters and planners. An average of sixty-seven per cent response was obtained from each set of questionnaire. Sample questionnaires administered are attached as appendix.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

Managing public expenditure in the Federal Capital Territory has much bearing on the national outlook and also the global approach as prescribed by the World Bank and the International Monetary Fund (IMF). However, not much has been achieved by way of efficiency, effectiveness and significant upheaval of our national economy and those of other developing countries.

In chapter one, attempts have been made to highlight the problems inherent in the approach to public expenditure management in the light of our experience in the federal capital territory. The problems ranges from the fitness of the reform as a model in the territory and perhaps the Nigerian nation state. Secondly, in practical sense, the relationship between planning and budget execution. The third problem is the ability of the planning department to evaluate the on-going planned programmes of expenditure in terms of technical equipment and human resources. The fourth and final problem is the knowledge of budgetary process and expenditure control on the part of the budgeters and executioners.

Chapter three spelt out the methods of collection, analysis and sources of data for the research into the enumerated problems and of approach to the management of the public investment programmes through budget and planning in particular.

This chapter attempts to present, analyse the data and also interprete the results of the data analysed. The analysis on this chapter are structured on the 4.1 Introduction, 4.2 The Effects of SAP on the Nigerian Economy; 4.3 National Rolling Plan and the Achievement of Planning objectives; 4:4 Achievements of Budget Objectives; 4.5 Budgeting Techniques; 4.6 Manpower Training.

4.2 SAP EFFECTS ON THE NIGERIAN ECONOMY

(Lacey, 1989:1) wrote "... institutional reforms by its nature does not lend itself to strict models or blue print approaches". The World Bank has used SAP as a traditional instrument for managing public expenditure in developing countries. The top management included in the sample were asked to comment on the SAP effect on the Nigerian Economy. their responses showed that SAP has more negative effects on the management of the economy, these negative effects include:

i) high inflation rate;
ii) devaluation of our currency;
iii) low foreign investment;
iv) lack of inward sourcing of raw materials;
v) under capacity utilisation;
vi) high rate of unemployment;

This result shows that SAP measures have not really supported the economic activities of the nation. The structural adjustment lending operation in terms of rationalisation of public investment programmes and currency devaluation has not served the purpose it is intended to serve. Wholesale policy reforms as models or blue-print approaches cannot work because of differences in socio-economic and socio-cultural backgrounds, of independent nations. Market forces cannot be used as yardstick for determining the value of a currency in a weak economy, it invariably means competing with currencies of developed economies that are themselves internally controlled by other factors beside market forces. With already a dwindled revenue base resulting from the fall in oil prices public investment programmes are really affected.

4.3 NATIONAL ROLLING PLAN AND THE ACHIEVEMENT OF PLANNING OBJECTIVES

The National Rolling Plan (NRP) is an alternative strategy for development planning. A rolling multi-year programme of public expenditure clearly phased out and reviewed periodically is referred to as the Medium term expenditure planning (MTEP). The objectives of planning is to fashion out development paths, this is the contention of (Baldwin, 1967), (Griffin & Enos 1970). The NRP replaces the national development plan that terminated in 1985 in Nigerian.

The responses from the respondents shows that the NRP concept of development planning has so far been preferred to the national development plan earlier on practiced because of the following reasons:

i) it allows for project cost adjustment within a short period of time;

ii) defined objectives are achieved within a given period of time:

iii) reduce waste of government funds and time;

iv) provide opportunity for evaluation.

The result indicates that the multi-year rolling NRP seems to ameliorate some of the problems of medium term development planning in Nigeria. It is more acceptable by management and planners to the national development plan, it therefore support the argument put forward by (Lacey, 1989) when enumerating the usefulness of the NTEP. He said "it is, nevertheless, useful in providing an analytical framework for public sector expenditure planning, which ensures consistency with macro-economic assumptions and is itself a benchmark against which existing systems of planning and budgeting may be judged".

Despite the preference of the NRP over the national development plan respondents do not show much enthusiasm on what has actually been achieved in terms of public investment programmes. The respondents attribute such failures to inflation, across the board cuts in budgetary allocation and the depreciating value of the Naira, thus, causing great divergence between planning, budgetary allocation and implementation of public investment programmes. However, the failure of planning in this regard cannot be attributed to inflation and others alike alone. More often than not policy makers or top management are in a hurry to do everything and such hurries are translated into the plan without adequate funds to undertake the projects. Typical of such behaviour was observed by (Caiden & Wildavsky 1974:12), from the 'heart felt comment

of a Latin America official who said "If I have a plan of public works of ten projects, and I launch them all at the sometime, I am going to run into financial problems. If I try to solve those financial problems only when they appear sometime later, I would be crazy".

Furthermore, failure of planning as observed during the cause of this research work shows that most projects are not thoroughly analysed before inserting them in development plans. A senior planning official of the Planning Commission in one of the NRP defence of proposal session gave his experience on the poor analysis of the Festac Town Plan where underground cables were used for phase one of the building. Fund, technical incompetence in terms of maintenance and the marshy nature of the topography of the land area which were not considered earlier led to another huge public investment for the provision of an surface cable network for the same area.

4.4 ACHIEVEMENTS OF BUDGET OBJECTIVES

With respect to the achievement of objectives, mixed reactions were given by respondents. Top management included in the sample were asked what per cent of their annual budgets have been achieved in the years 1991, 1992 and 1993. The responses received shows that over 50 per cent of the respondents have claimed to achieved the range of 30 per cent to 50 per cent of their budget objectives during the years under review. budgeters included in the sample attributed the problems of achieving annual budget estimates to include:

i) methods adopted for the release of funds;

ii) uncertainty in the amount to be released even when approved;

iii) insufficient allocation of funds;

iv) lack of proper evaluation of budget request by officials of the Ministry of Finance;

v) inflation;

vi) devaluation of the Naira to the foreign exchange market.

The result shows that budget achievements are fair in over 50 per cent of the organisations sampled. However, the problems enumerated above may subject the rate of success achieved to questions. The fact still remains that the problems enumerated are the real dilemma of budget and planning in general. Across the board cuts, inflation, devaluation of currency sometimes renders the budget out of shape. Similarly, the mentality of most budgeters as observed from the research work shows that budget figures are highly exaggerated to provide for the across the board cuts. Most budgeters in the sample believe that the higher the budget estimate the higher will be the possible amount to be approved. This implies that planning officials do not evaluate projects before arriving at approved budget amount.

On solutions for achieving budget estimates, top management in the sample opined the following:-

i) thorough examination of request submitted in budget estimates by Ministries and Parastatals to the planning commission and Ministry of Finance is advocated;

ii) where possible, certain items requested in budget particularly those with foreign components be purchased by the finance ministry and sent to the requesting department or parastatal in order to reduce the cost of material;

iii) each ministry's budget office should be given more powers to monitor capital expenditure projects;

iv) more budget discipline is required;

v) regard for financial instruction;

The result shows that there are rooms for much improvement in achieving higher budget objectives. It may be impracticable however, for the Ministry of Finance to purchase items with foreign components for the departments and parastatals due to its own functions in the organisation.

4.5 BUDGETING TECHNIQUES

There is no universally accepted step by step techniques in budget preparation and, or budget implementation. Desirability is usually not the subject of focus on on-going projects, variations in outlays compared to the previous exercise is preferred, and is traditionally referred to as the "incremental approach". Despite the short comings of the approach the technique is widely used and have stood the test of time in both developed and developing nations (Wiildavsky 1979), (Lacey 1989) supported the argument.

Budgeters in the sample responded to the question on the process or procedure they adopted in budget preparation to include:

i) receive an interim call circular from the finance department of the Ministry of FCT;

ii) receive call circular from the Federal Ministry of Finance department of the FCT Ministry;

iii) draft budget estimates preparation;

iv) collation of all budgets received from departments and parastatals by the finance for general meeting;

v) re-discussion of the draft to produce copies for the ministerial consent;

vi) passing final copies to the federal department of budget and the ministry for Establishment and service matters for defense of estimates in terms of increase over last years figure;

vii) approved figures are passed to ministry's departments and parastatals for implementation.

Furthermore, in personal interviews, most of the budgeters in the sample considered the fact that they rarely have time to analyse previous year performance Variations are approximated from the previous exercise and increases are reflected in the budget estimate of the current year. The result shows that there is no thorough analysis of previous year estimates made before arriving at current budget estimates, hence, budgets of departments and parastatals are on the increase year after year. Similarly, monitoring and Evaluation of performance is not given due prominence by the finance department, and, or ministry.

4.6 MANPOWER TRAINING AND DEVELOPMENT

The ability of the reforms on public expenditure management to achieve desired results rest on the shoulders of the policy makers, budgeters and planners.

Budgeters and planners included in the sample were asked to comment on the competence of the planning, research and statistics department or division of their organisations in monitoring and evaluation of plan programmes. The response received showed that most of these departments or divisions of planning, research and statistics are not technically equipped, they lack the technical skills in terms of manpower, management information system, transportation and government support. The scope and expectations of the planning responsibility is not known to some of the planners even where computer hardware equipments are purchased the manpower to make them work is limited. There has not been much coordination between the various organs responsible for public expenditure planing in terms of training and development.

In response to another question on the type of training needs required by the planners, the planners included in the sample suggested the following:

i) On-the-job training by experts within the ministry;

ii) Seminars and Workshops on medium term planning such as the National Rolling Plan (NRP), development planning in general and related fields;

iii) Organised courses in institutions of higher learning;

iv) Other forms of off-the-job training at home and abroad that will give a broader perspective of the planning horizon globally;

These results shows that a lot more is required on the part of human resource, which only further training can strengthen the planning knowledge of the planners and budgeters in the FCT. Although departments or divisions of planning, research and statistics are created newly based on the 1987 Civil Service Reforms emphasis on planning should be given prominence. Evaluation of investment programmes for cost benefit analysis is not only desirable but essential for effective management of public investment programmes.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

This research study intend to contribute towards the improvement of the management of public expenditure through budget and planning in the federal capital territory Abuja.

Chapter one deals with the research proposal which includes the background of the research study, preliminary statement of problems of the research, the purpose of the research and the scope. Also included in the chapter is the significance of the research, limitations of the study and the definition of important terms of the research.

The review of related literature is the focus of chapter two. In this chapter attempts have been made to review public expenditure management from a global view point particularly the World Bank perspective, macro-economic framework, the planning concept, budget and budgetary process and the relationship between budgets in Nigeria were also examined in this chapter, emphasis here were placed on the concept and practice of national development plans, national rolling plan, policies and strategies of macro-framework and annual budgets. Furthermore, this chapter also dealt with the management of public spendings as it exist in the federal capital territory, budgetary organisation and decision making process, budgetary implementation and control the relationship between planning and budget and finance departments.

The methodology adopted for the research work is the core of chapter three. The methods of data collection, criteria used for the selection of the sample size and the sources and analysis of data were examined in this chapter.

In the subsequent chapter, the ministry of the federal capital territory has been studied in he light of addressing the complex issues of public expenditure management by the process of identifying, preparing, approving and implementing programmes. The research work reveals the inadequacies of wholesale reforms and the resultant effects on the economy. The Structural Adjustment Programme (SAP) has aggravated inflation, unemployment, devaluation of the Naira among others. However, the medium term expenditure planning (MTEP) here in Nigeria referred to as the national rolling plan (NRP) is more preferred to national development plan concept earlier on practiced until 1985. There are needs to improve the quality of human resource

involved in planning through training, pay more attention to planning, step by step analysis of public investment programmes by line agencies or parastatals and regards for budget provisions by top management.

5.2 CONCLUSION

The fall in oil revenue in the 1980s that precipitated severe fiscal adjustments makes effective management of public expenditure vital to the economy. With an ever dwindling resource base, governments are faced with the problems of inflation, under-capacity utilisation, unemployment, high level of external and internal indebtedness. Unfortunately, however, governments are not equipped for the challenge of these external shocks, fall in revenue, changing role of government in public activities and uncertain environment increasingly affects the importance of long-term comprehensive planning as an ideal path to development planning. The increase in the size and complexity of the public sector in terms of management and expenditure on real wages at the level of top management also affects the usefulness of comprehensive planning as a strategy for development planning. The crux of the matter now falls on the ability of the government to cope with interest groups competing for the limited fiscal resources available at its disposal.

In reacting to the situation, government concentrated on expenditure control which only has a short term effect and not synonymous with effective management of public expenditure. Although expenditure control at the centre is important, it however, limits autonomy and increases intervention of ministries over parastatals. Macro-economic tools are essential determinants of economic objectives and policies and should be central to the management of public expenditure.

Dissatisfied with the level of effectiveness in the management of public expenditure, government adopted what seems to look like an alternative paradigm or at best a wholesale reform with emphasis on structural adjustment and the entire budgetary and planning process. Techniques of programme or performance budgets were introduced, this is in active collaboration with the World Bank and the International Monetary Fund (IMF). thus, as an organisation of the federal government the FCT study presents a miniature of the impact and practicability of the reforms.

5.3 RECOMMENDATIONS

The management of public expenditure through budget and planning is becoming widely acceptable as a path to development planning in Nigeria. In order to make the management of public spending, more effective than a wholesale reform in the federal capital territory, we wish to make recommendations broadly for the parastatals, department of finance and supplies and the department of planning, research and statistics.

5.3.1 Agencies and Extra Ministerial Departments

Budgetary units should be created by all agencies and extra-ministerial departments, senior officers who are experienced should be recruited for the job. budget schedules prepared within a reasonable time and adhered to will give budgetary decision making process and adequate analysis of public investment programmes the due prominence they demand.

All segments of the agency should be involved in the budgetary process, at least they should be able to provide inputs into the budget consistent with objectives and policies that are based on macro-economic framework. The responsibility for the safeguarding of funds for their assigned uses should be vested on the budget unit, this will assist in evaluating the success achieved and effective control of planned programmes. Training of budget and planning staff and the installation of management information system for effective reporting are required.

5.3.2 Departments Responsible for Budget and Planning.

The budgetary division should have authority regarding spendings to ensure that extra-budgetary expenditures are controlled and funds are utilised for their assigned uses. The monitoring and evaluation of capital expenditures should be intensified by the departments of finance and supplies and that of planning, research and statistics both in the core organisation and the line agencies.

A system of periodic reviews of plans or programmes for developing alternative programmes in the light of changes experienced due to external exigencies is required in line with stated objectives, available resources and the agency's environment.

A comprehensive training programme for budget and planning staff is needed to meet the demand of planning programme or performance budgets. Financial management information system providing adequate and accurate data on releases of funds, expenditure, liabilities and position of funds allocated for particular programme o a particular agency or department.

Budget and Planning Officers

MANAGING PUBLIC EXPENDITURE IN THE FEDERAL CAPITAL TERRITORY ABUJA: BUDGET & PLANNING APPROACH

The attached questionnaire attempts to contribute to the researcher's search for means of effective Management of Public Expenditure in the Federal Capital Territory: Budget and Planning Approach. Your answering of questions raised will highly be appreciated and will be strictly kept confidential. It is for the purpose of a partial fulfilment of Masters of Business Administration degree (MBA).

NAME OF ORGANISATION/DEPARTMENT: .....

1. What procedure or process do you adopt in the preparation of your Capital and Recurrent expenditure estimates?

2. What do you consider to be reasons why budgets are actually not realised in your organisation?

3. What methods do you use in evaluating proposals submitted for the National Rolling Plan?

4. Assess the achievement of your Organisation in the 1st and 2nd National Rolling Plan.

5. Do you consider the Planning, Research division of your organisation technically equipped to monitor and evaluate plan programmes?

6. If your answer to the question is no, does the division require more training?

7. State the nature of training required. .....

Top Management

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MANAGING PUBLIC EXPENDITURE IN THE FEDERAL CAPITAL TERRITORY ABUJA: BUDGET & PLANNING APPROACH

The attached questionnaire attempts to contribute to the researcher's search for means of effective Management of Public Expenditure in the Federal Capital Territory: Budget and Planning Approach. Your answering of questions raised will highly be appreciated and will be strictly kept confidential. It is for the purpose of a partial fulfilment of Masters of Business Administration degree (MBA).

NAME OF DEPARTMENT:

1. Briefly assess the effects of the structural adjustment on the management of the Nigerian economy.

2. How effective has been the National Rolling Plan (NRP) in achieving your Organisational set goals?

3. What per cent of your annual budgets have been achieved in the following years 1991, 1992 and 1993 and how much of it rolled?

4. What could you attribute to be the problems militating against achieving annual budget estimates in your organisation?

5. What are some of the solutions you will propose to above question and your general view on public expenditure management?

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