BUDGET EVALUATION AND GOVERNMENT PERFORMANCE: A CASE OF THE NIGERIAN ECONOMY

ABSTRACT

This paper evaluates Nigeria's federal budget and its performance. The paper adopted the descriptive and analytical research method, using ex-post 'facto' data analysis of secondary data extracted from various budget documents, financial and economic reports of the Federal Republic of Nigeria. Budget variance analysis and construction of budget deviation indices were the tools of analysis used on one side; and augmented with regression analysis fiscal and economic performance variable in the last segment. The parameter for measuring budget credibility is the international threshold and prescribed limit for budget deficit / GDP, and also the minimum score of 50 percent score performance rating for regression of economic performance. The study reveal that Federal Government budget lacks credibility except in the case of fiscal solvency / discipline in the first stage .While in the second stage, it reveal that the federal budget performance is considered below average. The findings ranks Nigeria's budget / fiscal performance as sub-optima but fairly satisfactory The study recommends that, Federal Government should prepare a gazette 'Budget Performance Report' that incorporates "Year-End Revised Approved Estimates with Comparison of Actual Fiscal Performance Report" within 90 days after the last day of every financial year as this will help improve the performance of budget performance in Nigeria.

Keywords: Budgetary reporting, Performance, Credibility, Accountability, Nigeria.

1.1 INTRODUCTION

The federal government of Nigeria (FGN) since her independence in 1960 has adopted as many as six different fiscal budgeting models. These budget systems include; Line – Item budgeting system, Incremental Budgeting Programming, Performance-Based Budget System (PPBS), Zero-Based Budgeting System, Rolling Plan Budgeting System and the Performance Based budgeting System Central Bank of Nigeria (CBN), (2010). The current public budgeting regime – the Performance-based Budgeting (PBS) is intertwined with the Medium Term Expenditure Framework (METF). In recent times, the Federal Government embarked on various reforms and modernization programmes to strengthen the budget institutions and capacity of its budgeting and public financial management systems. Nevertheless, country is yet to catch-up with the latest developments and current best practices in public budgeting, financial planning and fiscal management. These defects and relative lack of efficiency in budget practices affects or impact negatively on the quality of the Nigerian public financial management, and also public services in the economy.

Public analysts and commentators on Nigeria's fiscal matters have contended that the Nigerian governments at all levels have not yet institutionalized suitable performance management control mechanism to facilitate effective measurement of budget / financial performance in the federal public service Taiwo (2001) The omission of budget performance reporting, which is a vital aspect of budgetary and organizational controls in Nigeria have constituted the main reason for inherent inefficiencies and not-too-reliable financial accountability in the Nigerian public sector.

A **formal** former **m**Minister of Finance, Dr Okonjo-Iweala, corroborated this fact, stating that the FGN budget was not good enough for development**.** (Okonjo-Iweala (2011). Several media reports have consistently alerted the public concerning missing public funds in Nigeria such as

that of the Nigerian National Petroleum Corporation (NNPC) short remittances crude oil export sales. Most of these adverse reports have led to the commissioning of special audit and forensic investigations such as the investigation carried out by Price Waterhouse Coopers (PWC), in 2015, and that of the National Assembly (NASS), in 2014.

1.2 Research Questions

This research paper primarily seeks to find answers to the specific questions below:

1. Is there any significant deviation between crude-oil 'bench-mark' price used in revenue projections and actual revenue?
2. Is there any significant deviation between federal government revenue budget and actual revenue?
3. Is there any significant deviation between approved government annual expenditure budget and actual expenditure?
4. Is there any significant deviation between budget deficit estimates and actual annual budget deficit?
5. Is there any significant deviation between the standard fiscal budget passage time, and financial reporting time and the actual budget passage time and financial reporting time

2.0 Conceptual Framework

Since revenue projecting is an essential part of budgeting in the public sector, all countries make efforts to obtain reliable figures for the expected revenues – which is a difficult task. Preparing revenue forecasts involves not only predictions about the macroeconomic development but also predictions about the functioning of the tax law and its enforcement. The performance of revenue projecting and possible determinants including institutional aspects has been explored in the literature in different directions for example the research study of Leal et al, 2008. Revenue projecting has received the most attention in the context of US states. Feenberg, et al (1989), for instance, provide evidence that state revenue forecasts are biased downwards while Boylan (2008) finds evidence for biases associated with the electoral cycle. Bretschneider et al (1989) pays attention on the accuracy of revenue forecasts and reveal that accuracy is higher in US states with competing forecasts from executive and legislative branches. Furthermore, Krause et al (2006) provide some empirical evidence that the accuracy of states' revenue fund estimates depend systematically on the staffing of the revenue forecasting teams.

The relative performance of deficit forecasts among the European countries has been examined in the context of the European Union's Stability and Growth Path. Strauch et al. (2004) consider forecast errors associated with the so called "stability programmes" of EU member states, while Jonung and Larch (2006) discuss political biases of the output forecasts, Pina and Vedes (2007) are concerned with institutional and political determinants of forecast errors of budget balance. With regard to the narrow issue of revenue and deficit forecasting, international comparisons of the practice and performance are mainly concerned with developing countries Kyobe and Danninger, (2005), where institutions relevant for revenue forecasting are underdeveloped.

In US state governments, and across all political arenas at all levels of government, the government budget provides the legal framework for government spending. If a budget is not approved and enacted by the beginning of the fiscal year, the legal basis for government expenditure is jeopardized, and the penalty can range from a continuation of operations based on last year's budget to partial government shutdown, pending on both specific constitutional provisions and the overall institutional framework. However, the subject of late passage of budgets is an important object of study for three reasons: Economic costs, measured as legislative productivity, and as a measure of good governance. The penalties of such budget delays therefore vary considerably from country to country, and sometimes even from year to year within the same state. Some state governments stop paying its employees, or withhold payments to state vendors and contractors. In the most extreme cases, the state government shuts down all so-called "non-essential" services until a new budget is in place; one example of this is Maine, 1991, where 10,000 workers were sent home without pay and all non-essential services were closed due to 18day budget delay. Therefore timely budgets can more generally, be viewed as a measure of good governance. Putnam (1993) in his analysis of the effects of social capital and the civic community on governance outcomes, includes institutional performance budget promptness as one of his twelve indicators defined as the (lack of) delay relative to the beginning of the fiscal year of the approval of the budget by the regional councils. Putnam (1993) argues that budget promptness is a measure of a governments' essential internal process which, in turn, is one component of an evaluation of good government. Milton Friedman leads the tax and-spend school of economic thought which contends that raising taxes will simply lead to more spending. Friedman (1982) puts his point in the following way: "You cannot reduce government budget deficit by raising taxes. Increasing taxes only results in more

spending, leaving the deficit at the highest level conceivably accepted by the public. Political rule number one is government spends what government receives plus as much more as it can get away with". Also Milton Friedman (1982) suggests cutting taxes as a remedy to budget deficits, since taxes have a positive causal impact on government expenditure. According to Friedman, a cut in tax leads to higher deficits, which should influence government to reduce its level of spending, Moalusi, (2004).

Buchanan and Wagner (1977, 1978) put forward an alternative version of the tax-and-spend hypothesis. In contrast to Friedman (1978), they argue that tax increases would lead to spending reductions. According to the authors, tax cuts lower the perceived price of government who provides goods and services to the public, which in turn boosts the public demand for these goods and services.

2.1 Review of Related Literature

Nigeria's experience in fiscal budgeting, implementation and performance management has been characterized by late approval of annual appropriation bills and belated implementation Adelakun (2010). Hence, budget policy formulation and late approvals is been shown to be the major problems militating against proper implementation of federation budget in Nigeria. Budget 1999 was designed for transition program me and economic emancipation; again and again that goal was never achieved.

However, different forms of government expenditures and economic growth have been examined in the literature. For instance, Rizvi and Shamim investigates the relationship between government expenditures and gross domestic product (GDP). A test with Granger causality indicates that government expenditures is positively related to economic growth, while a short-

run relationship between government expenditures and economic growth was established by an error correction model.

Lucas (1988) argues that government investment in education increases the level of human capital and which constitutes a primary source of long-run economic growth.

Henrekson (1993) in his claim notes that there are three main reasons for an increase in the role of government. Firstly, industrialization and modernization would lead to a substitution of public for private activities. While secondly, an increase in real income will lead to an expansion of income-elastic "cultural and welfare" expenditures and thirdly, natural monopolies, such as railroads, have to be taken over by government because private companies would otherwise be unable to run these undertakings efficiently because it would be impossible to raise the huge financing needed to develop them.

The study **of** by Oluwatobi and Ogunrinola (2011) examines the relationship between human capital development efforts by the government and economic growth in Nigeria. The goal of these authors is to determine the influence of government recurrent and capital expenditures on education and health in Nigeria and to find out their effects on economic growth. Augmented Solow model was adopted and the result reveals a positive relationship between government recurrent expenditures on human capital development and the level of real output, while result reveals a negative relationship between capital expenditures and the level of real output.

Lamartina and Zaghini (2007) carried out a study on joint development of government expenditures and economic growth in 23 OECD countries. The result suggests that there is a structural positive correlation between public spending and per capita GDP. Hence, an increase in government spending on human capital development is expected to bring in an increase in per capita output.

Also, Maku (2009) analyzes the connection between total government spending and economic growth in Nigeria over the period of 30 years (1977-2006). The result supports the view that human capital investment as a share of real output has a positive but an insignificant effect on the growth rate of real GDP. The author concludes that government expenditures have had no significant influence on economic growth in Nigeria during the period of analysis, which reveals that the included variables have not maintained a uniform pattern over the period of study because of a persistent random shock effect on the time series analysis.

Ogujiuba and Adeniyi (2005) examined the impact of public education expenditures on economic growth. Their results suggest that the contribution of recurrent expenditure on economic growth is statistically significant and positive, while capital expenditures showed a negative but not statistically significant relationship with economic growth.

However, Lawanson (2009) extends this study by including both health and education expenditures in her model with an objective of examining the role of human capital investment on economic growth in Nigeria. Her results clearly show a relationship between human capital development and economic growth. Unlike Ogujiuba and Adeniyi, both authors of Oluwatobi and Ogunrinola note that Lawanson did not disaggregate expenditure figures on health and education into recurrent and capital components.

Taiwo (2001) observes that the apparent failure of year 2000 budget to lift Nigerian economy to any significant extent provided prima-facie evidence of the lapses or gaps inherent in the system.

Ojo (2002) notes that Federation budget for the year 2000 was finally passed in June 2000, about six months to the end of that fiscal year; whereas core budget policy direction / objectives were in the area of poverty alleviation, hence the goal was not achieved.

Ayoades' (1995) evaluation study on budget performance and impact of government expenditure on economic growth in Nigeria between 1960 and 1992 indicates that contribution of capital spending on growth process in Nigerian economy was below expectation.

Adopting the expansionary expenditure growth approach in explaining the pattern of official planning and budgeting in Nigeria, Kwakwa (2003) establishes that Nigeria has one of the highest ratios of government expenditure to Gross Domestic Product (GDP) amongst developing countries, but has little or nothing to show for it. She further submitted that public expenditure programmes are poorly planned in Nigeria and often does not take cognizance of cost / implementation effectiveness of proposed projects against other options.

Following the review of related literature in this study, it was observed that most researchers focused attention on policy formulation and late approval of budgets, forms of government expenditure, relationships between government expenditure and economic growth as well as the influence of government recurrent and capital expenditure on economic growth. However, no study reflected on the impact of budget variance which could possibly be a clog in the wheel of progress on the Nigerian Economy. Hence this study tends to identify variances in budget components (positive or negative) and equally find out their significant impacts on Nigerian economy.

2.2 Theoretical Framework

This study is anchored on the institutional-theory which tends to focus on the budgeting process as a whole, the interrelated analyses, interpretations, and negotiations that constitute budgeting. A variety of political models of organizations, including institutional theory, have developed from the basic organizational-theory research work by March and Simon (1958). Such political-

process models of organizations include Cyert and March (1963) and other organizational research that has brought the politics of budgeting to the foreground. March and Olsen (1976); Pfeffer (1981); Pfeffer and Salancik (1978).

More specifically, institutional theory argues that an organization's survival requires it to conform to social norms of acceptable behavior as much as to achieve levels of production efficiency Meyer and Rowan (1977); Meyer (1986); Carruthers and Espeland (1991); Carruthers(1995). Thus, many aspects of an organization's formal structure, policies, and procedures such as budgeting revenue projections, expenditure budgeting, deficit budgeting, and budget passage time serve to demonstrate conformity with institutional rules and social norms, thereby legitimizing it, to assist in gaining society's continued support. Here it is argued that budgeting is used to influence negotiating and bargaining around resource procurement and deployment, rather than to apply bureaucratically neutral decision rules to optimize organizational functioning.

As Czarniawska (1997) suggests, institutional theory depicts budgeting as having a critical role in the expression of symbolic preference in a bargaining process rather than a formal structural control mechanism in a decision-making process, as a means of conversation rather than a means of control, and as an expression of values rather than an instrument for action.

Studies employing an institutional theory perspective have investigated the causes of budgeting using a unidirectional direct linear interaction model. The effects of budgeting have also been investigated but with different causal-model forms: unidirectional and bidirectional cyclical, linear direct and indirect additive and interaction.

The complexity of causal relations implied by institutional-theory approaches is illustrated in a study by Covaleski and Dirsmith (1988a, 1988b), who adopt an institutional perspective to

examine the manner in which social norms of acceptable budgetary practices are articulated, enforced, and modified. The authors describe the process of how a university challenged and rejected a traditional budgeting format and protocol between state agencies and the state for allocating state funding whose projected revenue may be matched with actual revenue. (i.e., the institutionalized budgetary framework) Furthermore, expenditure budget, deficit in budgets and budget passage time is of great essence in the institutional theory of the organization. Consistent with this institutional perspective of budgeting Covaleski and Dirsmith (1988a, 1988b) find that the self-interest of the plurality of organizational decision makers is foremost in the minds of the various parties involved in the budgeting process. The study concludes that the common and legitimate language of budgeting is an important vehicle through which societal expectations are enforced and reproduced.

2.3 Empirical Review

Empirical studies identified as highly relevant to the topic of this paper include:

AUTHOR(S)	FOCUS OF STUDY	CORE FINDINGS
Aigbokhaevbolo and Oghuma [2006]	Federal Budget, Poor Implementation and Un-utilization of Allocations by public officers as Unspent Fund	Delays in budget processes; lateness of Appropriations Act impact on plans adversely
von Hagen & Harden (1996)	Emphasizes the effect of sound budget system and processes on fiscal performance and development	Credibility in fiscal budget processes leads to better fiscal performance
Gollwitzer (2013)	Effect of Budget Institutions on Fiscal Performance of 42 selected African countries	Credible Budgeting and fiscal discipline results in low debt fiscal sustainability
Dabla-Norris *et al.* (2010)	Effects of Budget Institutions on Fiscal Performance in 76 Low-Income nations The paper adopted fiscal budget variance and BDI in assessment of budget / PFM in the selected countries	Budget of low-income nations are characterized by weak budget and lack of credibility, resulting in in poor fiscal performance

World Bank / DFID (2006) Report on LASG	Reviewed Fiscal Performance and Public Expenditure Management of Lagos State Government (1998 – 2005). The Study Identified the weaknesses in the State's revenue generating capacity and budget	Using Deviation Indexing in Budget Execution Performance Analysis, it established 60 - 70% of the budgets were achieved

Aigbokhaevbolo and Oghuma (2006) attributed poor budget implementation and performance in Nigeria to lateness in passage of annual appropriation acts; and delay tactics of government officials executing capital projects which they resort to sharing among themselves as un-spent fund. Fiscal illusion by Lam (2009) introduces another dimension to public budgeting as illustrated with the Hong Kong experience; and reveals the practice, wherein government understates public revenues and overstatement expenditures and creates artificial impression of impressive performance.

Comment [om1]: I don't understand the relevance of this section. If it is part of literature review, it is better integrated rather than to be discussed as a separate section. You can talk about empirical findings, which will be your own contribution to knowledge.

3.0 METHODOLOGY

The research design employed in this study is the ex-post factor method. This involved the use of secondary data sourced from the books of Budget Office of the Federal Ministry of Finance, Central Bank of Nigeria (CBN) statistical bulletin and Annual reports from the Office of the Accountant General of the Federation (OAGF) also known and referred as the Federal Treasury. The final collation of the data was done by MachameRatios. The budget variance index (BDI) which is a periodic index measure used by governments, corporations or individuals to quantify the difference between budgeted and actual figures for a particular accounting category was employed in measuring budget variations.

3.1 Specification and Construction

Stage (I) Budget Performance Evaluation

Specification of model equation stage one (step one); comparison of actual / estimates actual are:

(ia) Crude oil Price Variance ($V_{.1.1}$) equation is (ACP – BCP) in US$D; ……(3.1a)

(where; actual Crude Oil Price is ACP and BCP = Budgeted Crude Price)

(ib) Gross Federation Revenue Budget Variance ($V_{1.2}$) is (AGR_1– BGR_1)…(3.1b) (Actual gross revenue is AGR_1 and BGR_1 is annual estimate)

(ii) FGN Revenue Budget Variance ($V_{.2}$) equation is expressed as (ARX– BRX)… (3.2) (where: ARX is actual Federal revenue and budgeted revenue is ARX.)

(iii) Total Expenditure Budget Variance ($V_{3.1}$) is expressed as (FG*AXP–FG*BXP). (3.3) (Actual Expenditures is FG*XPA) and FG*XPB is the approved estimates) For recurrent expenditure; (FG*XRA – FG*XPRB). ……(3.3b) And capital spending; (FG*XPCA – FG*XPCB). …(3.3c)

(iv) Fiscal Deficit Budget Variance eq.(V_4) is : A*DEF – B*DEF) … (3. 4)where; actual annual overall fiscal Deficit = FGDEF*A, and the projected annual overall fiscal deficit = FGDEF. Cut-off rate and confidence limit for deviation is 4% line the WAMZ region's prescribed limit on budget deficit and same as for the IMF.

(V) Fiscal Planning Time-Budget Variance (V_5) equation, expressed (AFA – BFA).. (3. 5)

This measure on timeliness of budget execution period, centers on the total numbers of days spent the submission of annual proposal to the passage of the yearly Annual appropriation bill, we set the time-horizon for budget processes as 120 days – the period from September – December 31 of the preceding year and specify 1st January of every fiscal year as the normal (standard) date of adoption and pronouncement by Head of State or his proxy. The standard time frame for budget processing, negotiations, agreement and passage / adoption is 120 days, and we count from January 1, up-to the date of assent and adoption as budget delay period. The decision criterion of the budget deviation index prescribed that where the variation falls with the range of

+ (-) 5 % and+ (-) 4 % for fiscal deficit budget variance for the year's budget or functional budget is considered credible; if otherwise, the budget lacks credibility.

Formula for derivation of fiscal variances and construction of BDI under step 2 of stage (1) fiscal variance analysis of the earlier specified model equations are as follows:

For revenue and expenditure functional budgets:

(i) Crude Oil Price Budget Variance / BDI (V_1) Equation is (ACP – BCP) = V_{1a}

(ib) Federation Revenue Budget Variance / BDI (V_{1b}) Equation is (AGR – BGR) = V_{1b}

(ii) Revenue Budget Variance / BDI (V_2) Equation is (ARX – BRX) …. = V_2

(iii)Expenditure budget Variance / BDI (V_3) equation is (FGAXP – FG BXP)…. = V_3

(iv)Fiscal (overall) Deficit Budget Variance / BDI (V_4) equation is (ADF–EDF) = V_4

(v) Planning Time-budget Variance/BDI (V_5)equation is (AFA-BFA) = V_3

3.1.1 Budget Deviation Index (BDI) and Decision Criterion

Parameter for gauging government budget credibility is set at the point where the deviation in the overall variance and or each functional budget not exceeding +5% or -5% and + (-) 4 % for fiscal deficit budget variance for the each year's budget or functional budget is considered credible; if otherwise, the budget lacks credibility of the approved estimates. Decision criterion for the BDI used in determining credible budget is based on the values of variance and constructed BDI functional budget and the overall budget which ranges from; (i) zero variance, (ii) favourable (+) and (iii) adverse variance(-) on annual and aggregate basis. Budget variance is Zero when a budget item and actual spends is the same; Favourable when actual if actual expenditure is less than the approved allocation and Adverse (Un-favourable) if the actual expenditure is greater than amount allowed in the budget.

3.1.2 Model Specification (Stage 2 Model) for Economic Performance

The regression analysis is adopted in models to measure relationship between national output as dependent variable and actual fiscal inputs as independent variables notably; (i) gross federation

revenue, (ii) federally retained revenue (iii) government total annual expenditure, (iv) actual overall budget deficit, and (v) adjusted total annual government expenditure (discounted with timing-delay-factor/360 days in each year) and determine the rate of economic performance of the public sector at the federal level. Empirical estimation is measure and determine the degree of stagnation or otherwise in growth arising from delays in budget implementation. Ordinary least square (OLS) econometric model is used for estimation of the economic / financial performance. The determinants of the economic performance measure are Correlation co-efficient (R) and co-efficient of determination (R^2) (Koutsyannis, 1986) of the relationship in the above listed five sets of equations will be derived appropriately.

Model specifications in stage two regression analysis of fiscal out-turns and economic performance are as follows:

(i) Gross Revenue, GFCR=RX_1 (independent variable) and Nigeria's GDP = Y … (3.6)

(ii) Federal Revenue, FGR=RX_2 (independent variable) and Nigeria's GDP = Y … (3.7)

(iii)Government Total Annual Spends, QX_1 (dependent variable) and NGDP = Y …(3.8)

(iv)Aggregate overall fiscal balance-(deficit) PT (dependent) and RGDP = Y .. (3.9)

(v) Adjusted Total Annual Spends, QX_1 (dependent variable) and NGDP = Y . (3.10)

Formula to derive 'r' is given as: $R=n\ \Sigma\ (X)(Y)–\{(\Sigma X)-(\Sigma Y)^2]\sqrt{}\ n\ \Sigma i=(x-*x*)^2-\sqrt{}\{(\Sigma i=1(y-*y*)^2\ \}$

where: r = correlation coefficient ; R^2 =Co-efficient of Determination
X = Independent variable
Y = Dependent variable
i = Denotes the 'i' th or number of elements of the sample
Σ = Summation value

4.0 RESULTS OF ANALYSIS AND TESTS

4.1 Analyses and Tests

The descriptive statistics of Nigeria's federal budget and summary of relevant variance analyses and the 'Budget Deviation Indices (BDI) constructed is presented in this sub-section. The complete data of annual budget estimates and actual out-turns is provided in tables 3 – 10 in the appendix pages.

Decision Criteria: Where the relevant fiscal budget variance (functional budget or the cross-walk of total average annual fiscal budget variance falls within the range of 0, 1-5% and or 0, -1 to -5%; it is taken and rated as credible budget and a credible fiscal performance. Second, if it falls outside this range, that is, > 5% - above and also < 5 % and above; then, it is rated incredible budget. However, the exception is the annual overall fiscal deficit balance. The ECOWAS region's threshold of limit of -4% fiscal deficit which is also the same bench-mark prescribed by the IMF is adopted.

4.1.1 Summary of Results: Part 1 Tests – Fiscal Budget Performance Evaluation

The summary of budget variance analysis is provided in table 1 in the appendix page

1.1 (i) Crude-oil Pricing budget recorded 56% favorable variance, whereas (ii) Federation's Revenue budget achieved 25% positive. BDI rating / hypothesis test = 56% > 5%, and 25% > 5% respectively. The combined favorable variances and BDI of 56% and 25% for crude price and gross revenue performance(s) exceeded the prescribed 5% threshold for credible budget. Hence, Ho_1 is rejected and $H_{A1.}$ This confirms that unrealistic oil posted prices were adopted, and resulted in unreliable estimation in revenue budgeting.

1.2 Federal Revenue Budget recorded 14% positive variance. BDI rating / hypothesis test 14% > 5%, which exceeds the prescribed-permissible fiscal activity variance for credible budget. Therefore H_{O2} is rejected and H_{A2} accepted / adopted.

1.3 Public Expenditure Budget Variance and BDI` produced overall 18 percent adverse / over-spending variance. BDI rating / hypothesis test = 18% > 5%. This exceeds 5 percent variance benchmark for credible functional budget. H_{O3} is rejected and H_{A3} accepted. This result has indicated that government expenditure budget(s) is not credible; it further confirms sub-optimal public expenditure management in the general government sector.

1.4 Fiscal Deficit Budget achieved -3.6 adverse variance (overall deficit variance recorded) BDI rating / hypothesis test: = --3.6 < - 4% (overall deficit variance recorded). Thus, we H_{O4} is adopted and H_{A2} rejected. It signifies that fiscal discipline was maintained

1.5 Budget Passage /Implementation Timing registered 34% negative planning time variance BDI rating / hypothesis test = 34% > 5% (average of 120 days delay in the passage of annual appropriation bills and commencement of budget implementation). H_{O5} is therefore rejected.

4.1.2 Discussion of Stage Test I Results – Budget Performance

This confirms that unrealistic oil posted prices were adopted, and resulted in unreliable estimation in revenue budgeting. In related development, the aggregate federal revenue receipt exceeded revenue projections for most of the focal years, although the annual receipt in two fiscal years – 2002 and 2013 were below the approved estimates. This is a clear demonstration that the central government was able to achieve the expected annual revenue generation in some fiscal years despite mass leakage in its revenue sources. Although this is a positive performance in the revenue functional budget lacks credibility due to inefficiency in resource estimation. This result has indicated that government expenditure budget(s) is not credible; it further confirms sub-optimal public expenditure management in the general government sector.

This result has indicated that government expenditure budget(s) is not credible; it further confirms sub-optimal public expenditure management in the general government sector. The performance evaluation result on public expenditure budgets and execution revealed that the management of this fiscal function was sub-optimal operational efficiency and lack of effectiveness, as deduce from a wide margin un-favorable / overspending aggregate variance of 18 percent. It is a clear demonstration of weakness in financial controls, budgetary controls and expenditure management in the general government sector and Federal Treasury.

The fiscal deficit variance and deviation index indicated that the overall fiscal deficit recorded during the selected fiscal years fall within the permissible limit for the national government deficit budgets for the WAMZ member countries. Although this aspect of Nigeria's treasury budget performance slightly exceed the total approved estimates of – 2.8%, and this satisfied both the regional and the IMF international maximum limit for fiscal deficit conduct and performance prescribed for national governments. It further demonstrated that Nigeria fiscally solvent ceteris pari-bus, sustainable, thus, FGN's annual primary and overall fiscal balance as satisfactory. It also exhibited significant level of fiscal discipline, particularly within the last decade. This result signifies that fiscal discipline was maintained.

The outcome of the test on planning time lag, etc, empirically demonstrated that late passage / adoption of annual budgets, improper fiscal accountability and transparency as factors responsible for the inefficiency of the federal budget implementation and overall budget performance over the years.

4.2 Results of Regression Analysis and Evaluation of Nigeria's Fiscal Performance (Part 2)

The criteria used in measuring economic performance is the basic economic statistics principle, which states that a positive score of 75% and above connotes significant relationship; from 50 – 70% reflects significant relationship; while less than 50% is insignificant. Similarly, -75% and above is significantly negative and -1- up-to -49 are insignificantly negative. A zero or neutral score signifies null effect Koutsayonis, (1975). Hence, the decision rule applied is: a positive score of 50 percent or +0.5 is accepted and otherwise is rejected. Correlation Coefficient 'r' and Coefficient of Determination R is + 0.5 (or 50%) and above, indicates strong positive relationship between government fiscal activity variables – revenues, annual expenditures, annual fiscal balance and national output (GDP), if it falls below + 0.5 or - 0.1 to infinity, signifies a weak positive and negative relationship.

4.2.1 Discussions:

Test result (2.1) which yields 'r' = 28% and R^2 of 8%, is an indication that there is a statistically insignificant relationship existing between Nigeria's Federation gross revenue generation and national output. The Gross federally generated revenue (before revenue sharing) performed below +0.5 or 50% and is lower than the aggregate government total annual expenditures for the same period. It implies that total resource revenues generated did not fully meet Nigeria's federal public spending requirements in the past 16 years. The second test result, that is, Federal Annual Revenue / GDP, produced 'r' = 18 % and R^2 0.03% which also below the 50 percent mark; and statistically insignificant. It corroborates with the result in 2.1, it further buttressed the fact that there is mismatch between federally retained revenue and public annual expenditures.

The total aggregate public expenditure–to-GDP ratio, 'r' is 28% and R^2, 6%. This result shows that there is a statistically insignificant relationship between Nigeria's federal annual public spending and national output. By inference, the aggregate federal public expenditures (recurrent and capital spends inclusive) accounted for just 6 kobo for every N1.00 worth of resource input utilized for the gross national output; while 94 kobo came outside government financial revenue resources. This economic performance trend contradicts the long held notion that government fund and other financial resources of the public sector is the major source fiscal financing in the Nigerian economy.

2.4 Annual Budget deficit / GDP (Growth Rate); = 'R' of 0.01% (less than 1%) and R^2 = zero. The outcome the fourth measurement, a zero point rating and a neutral effect demonstrated the fiscal deficit financing and by extension, cost of deficit financing is zero or neutral effect and it does not have any serious impact on the rate of economic growth. The results obtained from evaluation of budget performance and the later, measurement of economic performance on fiscal balance discipline is quite satisfactory.

2.5 Time-Adjusted Annual Spends (Proxy for time-lags) / GDP; 'R' is 8 % and R2' = $1^{\%}$ produced an insignificant positive relationship between the discounted cash-outflows and the GDP. Though, it is insignificant; it is a reflection of level of the unquantifiable but imputable financial loss suffered directly by Nigerian citizens and stakeholders as a result of un-timelines and delays in passage of annual budget and implementation as when due. The simple numerical monetary terms, Nigeria's public sector and the citizens lost about N13 trillion, an annual average of N800 billion for the review period, due of delay in implementation of capital budget.

From the outcome of empirical economic regression analysis produced in this segment indicates that Nigeria' overall fiscal performance weighed on economic performance is below average and sub-optimal. The most instructive is the relationship between total government expenditures and economic performance with 'R' of 29 percent that falls within the band of lower budget performance of countries, globally. However, the study has been able to outlay the significant levels of budget variations among the individual variables of study which forms the core reason for the current study.

5.0 CONCLUSION

The overall performance of Nigeria's federal budgeting system, budget management and executions for the fiscal years covered in this study lacked budget credibility, but were fiscally solvent and sustainable. The study showed that plans were over-ambitions and unattainable, considering the resources (human and natural) that abides in the country. Core reasons that may be attributed to these failures includes: The prevailing low level of technological advancement which has been viewed unimportant in the planning process such that it becomes very difficult when operational bottlenecks begin to creep in as work progresses. Secondly, weak database is a major hindrance too. This challenge is been witnessed in Nigeria and several other third world countries where paucity of data is prevalent. An independent country that has never been able to conduct a scientifically proven and generally accepted population census may never be able to design adequate plan for the future. Most likely, forecasts are done based on grossly inadequate information, thereby, resulting into distorted growth. Furthermore, budget indiscipline is a factor that needs to be emphasized too. Although, macroeconomic factors like inflation may affect budget, but unnecessary flexibility is an issue too which has always been a reason for financial recklessness among stakeholders in Nigeria. Finally, the chronic corruption practice among

public officials is indeed pervasive in Nigeria. Transparency International (TI) based in Germany has detailed the effect of corruption to include displacement of priorities, acceptance of wrong projects or the choice of inappropriate method of execution, putting wrong people in position of trust and responsibility, incurring and tolerating unreasonable levels of expenditure among others. Certainly each or a combination of these distortions will have adverse consequences on budget implementation and attainment of development goals

5.1 RECOMMENDATIONS

However, based on the findings the paper carefully recommends the followings:

(1) Federal Government should ensure that annual 'Budget Performance Report' are prepared and published, incorporating "Year-End Revised Approved Estimates" with comparison of Actual Fiscal Budget Performance Report" within 90 days after the last day of every financial year.

(2) The existing loopholes and leakages in all public revenue sources should be blocked, and all revenues mobilized should be promptly collected and remitted to appropriate federal treasury bank accounts. The policy on crude oil bench mark used in Federal Government Revenue should be reviewed and operation of excess crude account streamlined.

(3) Government should compel its public enterprises to establish budget accounting and performance reporting units without delays. This recommendation is strongly supported by the findings obtained from study.

(4) Government should ensure that all the budget planning processes, negotiations, approval and assent or adoption should be completed before the end of the month of November that proceeds the new fiscal year in which the annual appropriation act would be implemented.

5) The input – output projects / programmes monitoring approach in the appraisal of capital projects including the financial control methods should be adopted in the federal public sector.

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690 **APPENDICES**
691 Table 1: **(APPENDIX 1**
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Descriptive Budget Variance Analysis Statistics / B D I and Summary of Test Results (1999 -2014)									
N = 16		16	16	16	16	16	16	16	16
Functions		Actual	Approved	Total	Mean %	Limit Var.	Accept or	Reject	Credible
		Out-turn	Estimate	Variance	Variance	+ (-) 5%	Reject	Accept	Incredible
Crude Oil Price Budget ;Test 1(A):		1,083	687	397	56 % >	+ (-) 5%	Reject Ho	Accept HA	Incredible
GFCR Revenue Budget ;Test 1(B):		94,845	81,896	14,113	25% >	+ (-) 5%	Reject Ho	Accept HA	Incredible
FGN Revenue Budget ; Test 2:		33,410	30,744	2,666	14% ≥	+ (-) 5%	Reject Ho	Accept HA	Incredible
FGN Total Expd Budget; Test 3		41,087	41,491	520	-18% ≥	+ (-) 5%	Reject Ho	Accept HA	Incredible
Recurrent Budget:		29,643	28,880	1,962	-18% >	+ (-) 5%	Reject Ho	Accept HA	Incredible
Capital Budget:		9,906	12,675	2,777	+ 9% ≥	+ (-) 5%	Reject Ho	Accept HA	Incredible
Fiscal Deficit Budget; Test 4:		- 10.754	-9,535	-1,198	-3.6% ≤	+ (-) 4%	Accept Ho	Reject HA	Credible
Fiscal Plan Time									
Budget; Test 5		3,536	1,920	1,616	+ 9% ≥	+ (-) 5%	Reject Ho	Accept HA	Incredible
Source: Authors									

Summary of economic Regression Analysis and Summary of Stage (II) Results

N = 16		Sum	Mean	Var. (M)	S.D (M)	'R'	R^2	Cut-off	Rating
Gross Revenue/ GDP; Test 2.1:		94,845	5,928	840.27	175.38	28%	8% ≤	50%	Low (HA)
FGN Revenue / GDP; Test 2.2:		33,410	2,088	288.04	22.50	5%	.3% ≤	50%	Low (HA)
FGN Total		41,087	2,568	365.92	31.87	24%	6% ≤	50%	Low (HA)

EXPD/ GDP; Test 2.3								
Fiscal Deficit Bal/ RG.GDP;Test2.4:	-1.32	-21.14	-6.44	3.17	0.01%	0.0% ≥	- 4%*	Zero Effect
Dcf Total Spends/								
GDP; Test 2.5	1,778	21,442	16.53	16.53	8%	1% ≤	50%	Low(HA)
Source: Authors ***Low /HA is below average performance:, HA accepted ; Zero effect is positive – Ho accepted***								

APPENDICES

		NIGERIA'S FEDERAL FISCAL BUDGET STATISTICS						
TABLE 2	CRUDE-OIL POSTED PRICING				Table 6	FG TOTAL EXPENDITURE		
YEAR	USD (A)	U$D (E)	D (N)		YEAR	N (A)	N (E)	D (N)
1999	18.00	21.00	3.00		1	947.69	469.00	478.69
2000	18.00	24.10	6.10		2	701.10	644.14	56.96
2001	22.00	24.00	2.00		3	1,018.00	1,086.79	-68.79
2002	22.00	28.20	6.20		4	1,018.20	894.70	123.50
2003	23.00	29.20	6.20		5	1,226.00	765.10	506.90
2004	25.00	38.70	13.70		6	1,426.20	1,200.00	226.20
2005	27.00	55.40	28.40		7	1,822.00	1,618.00	204.00
2006	33.00	66.40	33.40		8	1,938.00	1,880.00	58.00
2007	40.00	74.90	34.90		9	2,087.00	2,651.00	-564.00
2008	45.00	90.80	45.80		10	2,867.00	2,648.00	219.00
2009	45.00	102.30	57.30		11	3,054.00	3,558.00	-504.00
2010	69.00	112.00	43.00		12	4,166.00	5,159.66	1,109.66
2011	75.00	80.81	5.81		13	4,712.06	4,485.00	227.06
2012	72.00	113.77	41.77		14	4,605.32	4,749.00	-143.68
2013	75.00	113.11	38.11		15	4,560.81	4,987.24	-426.43
2014	77.50	108.71	31.21		16	4,937.98	4,695.30	242.68
TOTALS	686.50	1,083.40	396.90		TOTALS	41,087.36	41,490.83	-519.47
TABLE 3	TOTAL BUDGET VARIANCE							
YEAR	N (A)	N (E)	N (D)					
1999	949.19	947.69	1.5					

2000	10,906.20	701.10	10,205.10						
2001	2,231.50	1,018.00	1,213.50						
2002	1,731.80	1,018.20	713.60						
2003	2,575.10	1,226.00	1,349.10						
2004	3,920.50	1,426.20	2,494.30						
2005	5,547.50	1,822.00	3,725.50						
2006	6,061.00	1,938.00	4,123.00						
2007	5,715.60	2,087.00	3,628.60						
2008	7,866.60	2,967.00	4,999.60						
2009	4,844.59	3,054.00	1,790.59						
2010	7,303.67	4,166.00	3,137.67						
2011	11,116.90	4,712.06	6,404.84						
2012	10,654.72	4,605.32	6,049.40						
2013	11,141.00	4,560.81	6,580.19						
2014	11,279.26	4,937.98	6,341.28						
TOTAL	101,694.13	41,207.18	62,757.77						
TABLE 4	GROSS ANNUAL REVENUE				Table 7	RECURRENT EXPENDITURE			
YEAR	N (A)	N (E)	D (N)		YEAR	N (A)	N (E)	D (N)	
1999	949.19	667.70	281.49		1	449.66	381.00	68.66	
2000	1,906.20	1,686.00	220.2		2	461.60	548.40	-86.8	
2001	2,231.50	2,126.50	105.00		3	579.30	574.86	4.44	
2002	1,731.80	1,861.90	130.10		4	696.82	597.70	99.12	
2003	2,575.10	1,930.90	644.20		5	984.30	508.70	475.60	
2004	3,920.50	2,160.00	1,760.50		6	1,073.90	900.00	173.90	
2005	5,547.50	3,619.00	356.70		7	1,302.60	1,194.00	108.60	
2006	6,061.00	6,836.00	775.00		8	1,385.00	1,500.00	-115.00	
2007	5,715.60	4,300.00	1,415.60		9	1,596.00	1,921.00	673.90	
2008	7,866.60	6,033.56	1,833.04		10	1,947.80	1,861.00	86.80	
2009	4,844.59	5,305.30	460.71		11	2,144.86	2,277.00	-132.14	
2010	7,303.67	4,902.00	2,406.67		12	3,109.40	3,394.66	-285.26	
2011	11,116.90	9,406.00	1,710.30		13	3,339.00	3,314.00	25.00	
2012	10,654.72	9144.55	1,510.17		14	3,325.11	3,298.24	26.90	
2013	11,141.00	11,041.61	99.39		15	3,689.10	3,200.63	488.47	
2014	11,279.26	10,875.00	404.26		16	3,758.21	3,408.46	349.75	
TOTALS	94,845.13	81,896.02	14,113.33		TOTALS	29,842.66	28,879.65	1,961.94	
Table5:	FEDERAL RETAINED REVENUE				Table 8	FG ANNUAL CAPITAL EXPENDITURE			
YEAR	N (A)	N (E)	D (N)		YEAR	N (A)	N (E)	D (N)	
1999	358.10	262.40	95.7		1	498.03	88.00	410.00	
2000	597.30	548.40	48.4		2	239.45	104.54	134.91	

2001	797.00	735.00	62.00		3	438.70	512.00	-73.30	
2002	716.80	769.43	-52.63		4	321.38	297.00	15.38	
2003	1,023.20	765.00	258.20		5	241.70	256.40	-14.70	
2004	1,253.60	1,022.00	231.60		6	352.30	300.00	52.30	
2005	1,660.70	1,304.00	356.70		7	519.50	414.00	105.50	
2006	1,838.80	1,520.00	318.80		8	552.40	380.00	172.40	
2007	2,450.90	1,777.00	673.90		9	491.00	730.00	-238.00	
2008	2,226.66	1,866.00	360.66		10	719.20	787.00	-67.80	
2009	2,643.30	2,265.00	378.30		11	919.48	1,281.00	-361.52	
2010	3,180.00	3,086.00	94.00		12	956.50	1,765.00	-808.50	
2011	3,553.54	3,348.10	205.54		13	918.55	1,146.00	-227.45	
2012	3,629.60	3,644.00	-14.40		14	874.76	1,540.76	-666.00	
2013	3,611.10	4,100.18	-489.08		15	958.00	1,786.61	-828.61	
2014	3,869.72	3,731.36	138.72		16	905.56	1,286.84	-381.28	
TOTALS	33,410.32	30,743.87	2,666.41		TOTALS	9,906.51	12,675.15	2,776.67	
Table10:	BDG PASSAGE & IMPLEMENTATION LAG				Table 9				
YEAR	ACTUAL	EXPECTED	VAR	(IN %)	ANNUAL OVERALL DEFICIT & SURPLUS				
	(IN DAYS)	(IN DAYS)			YEAR	N (A)	N (E)	D (N)	
1999	120.00	120.00	0.00	0.00	1	85.10	34.10	51.00	
2000	255.00	120.00	135.00	37.00	2	162.29	82.70	79.59	
2001	210.00	120.00	90.00	37.00	3	278.84	201.50	77.34	
2002	207.00	120.00	87.00	37.00	4	245.62	301.40	-55.78	
2003	214.00	120.00	94.00	37.00	5	309.69	202.70	106.99	
2004	195.00	120.00	75.00	37.00	6	172.60	178.00	-5.40	
2005	244.00	120.00	124.00	37.00	7	161.40	314.00	-152.60	
2006	224.00	120.00	104.00	37.00	8	795.80	357.00	438.80	
2007	180.00	120.00	60.00	37.00	9	847.30	609.20	237.77	
2008	234.00	120.00	114.00	37.00	10	580.00	560.00	20.00	
2009	189.00	120.00	69.00	37.00	11	1,349.35	1,040.16	309.19	
2010	237.00	120.00	117.00	37.00	12	1,514.14	1,550.86	-36.72	
2011	262.00	120.00	142.00	37.00	13	1,158.52	1,136.00	22.52	
2012	238.00	120.00	118.00	37.00	14	1,000.15	1,050.00	-49.85	
2013	259.00	120.00	139.00	37.00	15	1,060.34	953.00	107.34	
2014	260.00	120.00	140.00	37.00	16	1,032.66	964.30	48.20	
TOTALS	3,528.00	1,920.00	1,608.00	1,799.09	TOTALS	10,753.80	9,534.92	1,799.09	