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Fueling Corruption through Budgetary Allocation

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Abstract:- Before the discovery of crude oil, agriculture was the mainstay of the Nigerian economy, competing opinions concerning to derivation principle was present but negligible in the revenue allocation. However, the discovery of oil and the emergency of the oil boom in the 1970s made Nigeria solely dependent on the oil sector as a source of export earnings and neglected the other sectors housing over 70 per cent of the productive population of the nation, thus the populace often monitored how the national cake is derived and allocated among federating entities. This increased interest in budgetary allocation thus makes it an increasingly scarce commodity. Different sectors, ministry and arms of government compete for more allocations. In an ideal system, the scarce nature of the allocation breeds health completion and positive economic growth but in Nigeria, it is rather used as means for government workers to amass wealth and perform other unlawful acts.

Keywords: Budgetary Allocation; Federal Budget; Nigerian Economy

I. INTRODUCTION

One of the dominant economic concerns of the average citizen in the current decade is the tenacity and size of the government budget and budgetary allocation (Momodu & Monogbe, 2017). This is so because efficient budgetary allocation fosters positive development in our communities, eradicate any inequality in the economy (Saifullahi & Hassan, 2014). Before the discovery of crude oil, agriculture was the mainstay of the Nigerian economy, competing opinions concerning to derivation principle was present but negligible in the revenue allocation. However, the discovery of oil and the emergency of the oil boom in the 1970s made Nigeria solely dependent on the oil sector as a source of export earnings and neglected the other sectors housing over 70 per cent of the productive population of the nation (Saifullahi & Abubakar, 2013), thus the populace often monitored how the national cake is derived and allocated among federating entities. The country's revenue-sharing debates revolve around three issues.

Firstly, what the relative proportions of federally generated revenues in the federation account should be assigned to the central government, the states government, the local government and other 'Special Funds' otherwise vertical revenue sharing, secondly, the appropriate formulae for distributing of centrally generated revenues among the regions otherwise horizontal revenue sharing and lastly, the percentage of federally generated oil revenue that should be returned to the oil-bearing regions on the account of the principle of derivation and compensation for the ecological effects of oil production and mining (Ogbole & Robert, 2012).

The budgetary allocation though has its merits, but also have negative impacts on the Nigerian economy and society, it fuels corruption and negligence by the government's officers. The Nigerian Federal budget has been facing a multi-dimensional challenge crippling its powers to achieve its expected goals (Olaoye, 2014). It is thus right to say that the national budget has not lived up to expectation on annual bases because processes have been left to the mercy of the whims and caprices of politicians and corrupt public officers. Government budgeting is a systematic activity, and in the system, the priorities originate from the interest and welfare of the taxpayers and citizens. The results of the processes are also dependent on the approval of the people. Hence, a national government budget is not an annual routine of governance and it must be initiated, articulated, executed and monitored with minimal partisan political considerations.

The ability to make efficient fiscal decisions is among the hallmarks of good governance. It seems, however, as if this ability is deficient in the public sector (Ekeocha, 2012). Rather, there is a constant squabble between the government officers over issues and opportunities to inflate or deflate the cost of projects and government's spending. This could be seen in the case of the oil benchmark crisis, the illegal inclusion of foreign projects in the disguise of constituency projects, allegations of unlawful financial inducement by agencies and ministries to secure an easy approval of their budgets without proper scrutiny before their relevant committees and others, the budget allocation used for running the legislature are usually debated upon, now on first line charge and no longer subject to proper debate. The debates and horse-trading that follows during the legislative scrutiny of the appropriation presently leave the citizens wondering whether or not the legislature has the constitutional right and expert knowledge to propose a change in the budget size and whether it should only raise issues, queries and request for a reasonable explanation. These are some of the issues that prolong the passage of the budget and consequently the implementation period of the budget.

Statement of Problem

The negative irregularity in budgetary and allocations of the budget have led to the under-performance of the budgetary plan. It affects the completion of government projects, wastes resources in form of time and human energy too. How budgetary allocation fuels corruption as a research paper, aims to highlight the effect of corrupt practices on the allocation of budget and how by extension, it affects the country's economy and resource use.

Research Objective

1. To outline legal steps in budgeting and budgetary allocation in Nigeria.
2. To outline the effects of budgetary allocation on the prevalence of corruption in Nigeria.
3. To outline the role of the executive arm of government on the budgetary processes in Nigeria.
4. To outline the role of the legislative arm of government on the budgetary processes in Nigeria.

II. CORRUPTION

When defined with Africa in mind, administrative corruption is believed to be predominant in Africa today but has no origin in her culture. Before her colonization, African society was built on strong ethical values often bonded to spiritual terms, with the result often ensuring social justice and compliance. In both centralized and decentralized African communities, governance affairs were conducted with the utmost fairness and diligence. As the laws were mostly unwritten constitution thus susceptible to being forgotten, they were often linked to supernatural terms to instil fear and conscientious. In the Yoruba community, south-west of Nigeria, the institution of the king making body known as the Oyo-Mesi, acted as a means to check the abuse of power by the Oba or the King of Oyo (Okolo & Akpokighe, 2014). The Alaafin rules with caution and consideration for his subjects. if he is proven or indicted in acts that undermined the interests of his subjects, such as negligence or miscarriage of justice for personal interest, the king making body would present him with an empty calabash or parrot's eggs as a sign that he must commit suicide since he could not be deposed. This is rooted to tradition. In the Igbo society, the absence of any form of comprehensive authority, by itself, placed leadership in the hands of the people – the very quintessence of accountability and governance. The chiefs address the more difficult issues of governance. If one wishes to seek pristine justice, he only needed to get the impeccable body of chieftains to hear the case in question (Okolo & Akpokighe, 2014). The early rulers of Sokoto, Dan Fodio and Bello, discontinued systems of successorship by hereditary, leaders were appointed by their Islamic scholarship and moral standing (Wikipedia, 2020). There is clear evidence of fairness is the pre-colonial Nigerian territory.

The word “corruption” is derived from the Greek word “*corruptus*” meaning aberration or misnomer. Corruption is a global case that cuts across national borders. It is a threat that frustrates every country of the world, though the effect differs across countries depending on the attitude of the citizens towards it and the tenacity to which the government tackles it. Some scholars argue that corruption is the abuse of public office which is a persistent feature in human societies throughout time and space (Dong, 2011). In Nigeria corruption is widespread. It is no longer strange news saying it pervades every corner of the country's social, political and economic system. It is contagious and malignant to the

physiology of any political system and automatically contaminates all the facet of sociopolitical structures in ways similar to the spread of a wildfire (Kayode, 2013). Corruption has been fingered as the main culprit of mal-administration in Nigeria, the negative ethnic separations and the cause of ethnic group conflicts. The average Nigerian is corrupt in the mode of his daily actions and dealing. Another school of thought defines it as an act of reciprocal or transaction behaviour where both the power or officeholder respectively inflate the incentive of each other to grant unlawful preferential treatment or favour against the interest of the respective organizations or within the society, generally, corruption entails such act as using ones office for pecuniary advantage, tardiness, influence peddling, insincerity in advice to gain an advantage, less than full day's work for a full day's pay, gratification (Akindele, 2005). Corruption is anti-social in character, granting benefits contrary to legal and moral norms and which undermine the rule of law to improve the living conditions of the perpetrators. In a report, is it highlighted that the phenomenon of corruption initiates from the simple act of payment contradicted by law to the general malfunction of a political-economic system (Odd-Helge, Inge, Tone, & Tina, 2000).

III. BUDGET

The word ‘budget’ originated from the French word “*bougette*” meaning little bag. In Britain, the word was used to describe the leather bag used by the chancellor of the exchanger to carry to the parliament the statement of government needs and resources (Omolehinwa, 2005). After many consideration of consensus, the budget became known as the document itself contained in the bag. The term budgeting is not just a mere economic term. it also should be viewed from a politico-administrative sense. It is based on the above understanding that budgeting is considered to be a part of the political process (Olaopa, Ogundari, Fagbohun, & Adelowo, 2012).

*Process of Budgeting**a) Budget Planning/Formulation*

The Budgetary Office of the Finance Ministry of Nigeria develops the budget according to the fiscal policy of the Federal Government. The Budgetary Office convenes early in the financial year with major revenue-generating bodies (including the Federal Inland Revenue Service, Nigerian Customs Service and the NNPC) and other important economic agencies (including NPC, NBS and CBN) to evaluate and determine the direction in revenue performance, macroeconomic indicators and the effects of the trends for the next three financial years. This leads to the preparation of a Medium-Term Revenue Framework (“MTRF”) declaration which the projected revenue from oil and non-oil sources is set on over the medium-term. considering this with revenue in mind, the Medium-Term Expenditure Framework (“MTEF”) is developed, highlighting the important areas of government expenditure (statutory transfers, debt service, MDAs’

Expenditure) as well as the projected financial balance. If the financial balance is in deficit, causative sources of this deficit are also considered. MDAs' expenditures are defined by both recurrent and capital expenditures. The MTEF is further expanded into a formal Medium-Term Expenditure Framework Report. This includes the Fiscal Strategy Paper and MDAs expenditure ceilings. This formal MTEF/Financial Strategy Paper is needed, under the Fiscal Responsibility Act, presented by the Minister of Finance to the Federal Executive Council, then the National Assembly for evaluation and approval.

b) Budget Call Circular and Preparation of the Executive Budget Proposal

When the MTEF, Financial Strategy Paper and MDAs' expenditure limit have been approved by Federal Executive Council, the Budgetary Office, with the supervision of the Minister of Finance, issues a "Call Circular". The Call Circular empower the MDAs to allocate their apportioned capital expenditure limits across their existing and new projects, programmes and other initiatives. MDAs are also demanded to submit estimates of their recurrent expenditure requirements for staff costs and overhead. The Budgetary Office analysing and consolidates the submissions of the various MDAs and prepares the draft budget.

c) Submission to the National Assembly by the President

The draft budget is presented by the Minister of Finance to the President for approval. The approved budget, together with supporting documents, is formally presented by the President to the National Assembly for evaluation and appropriation (Everycrsreport, 2008), typically at a combined session of the Senate and the House of Representatives (Abdulrasheed& Ruth Fanny Kinge, 2015).

d) Scrutiny and Approval by the Legislature

The budget is evaluated by the House and Senate of the National Assembly separately in line with the legislative processes. The two houses unify their drafts. the recommendations of the committees are considered and gathered with the oversight of the MDAs (Posner & Park, 2007). The unified budget is approved by each chamber of the National Assembly, it is then presented as Appropriation Bill to the President for approval. The President approves the Appropriation Bill (Abdulrasheed& Ruth Fanny Kinge, 2015), and it becomes an Act of parliament passed into law. It is important to note that during the consideration of the Appropriation Bill in both wings of the National Assembly, the relevant Committees in both Houses evaluate and recommend changes to segments of the budget (Gustafson, 2003). There is usually "haggling" between the executive and the legislature during this process, looking for a common ground for prompt passage of the Appropriation Bill. Several factors employed in the course of drafting the budget are evaluated and some instances modified by the relevant Committees in the House of Representatives, specifically the

Finance Appropriation, National Planning and Legislative Budget during their deliberation on the Medium-Term Expenditure Framework submitted by the President to the National Assembly (Akongwale, 2020). Their decisions guide the general debate in the plenary who also adjust other benchmarks such as the oil price benchmark, the degree of debt repayments to be made in any fiscal year and crude oil production, and the amount for funding of gas and oil production in the joint venture agreement.

Budget Implementation

The execution of the budget is executed by the various Ministries, Departments, and Agencies (MDAs) of the federal government. Funds for capital projects are dispensed quarterly to the respective spending MDAs coinciding with what is availed to them in the budget. It is worth noting that the Federal Ministry of Finance instituted since 2005, a Cash Management Committee, that makes sure that the funds are available for the smooth financing of the government budget. This model reduces non-compulsory borrowing from the overdraft account of the Central Bank of Nigeria and steers clear of hold-ups towards completing capital projects (Abdulrasheed& Ruth Fanny Kinge, 2015).

e) Monitoring and Evaluation of the Federal Budget

The monitoring and evaluation of budget implementation is the last stage in the budgetary process. The monitoring is carried out by the National Assembly, National Planning Commission (NPC), Ministry of Finance, Presidential Monitoring Committee (PBMC), National Economic Intelligence Agency (NEIA) and Office of the Auditor General of the Federation and the Accountant General of the Federation. Actual monitoring of the capital projects is overseen by these agencies in their respective capacities. The Ministry of Finance, the National Planning Commission and National Assembly, the Policy Analysis Research Project (PARP) now known as National Institute for Legislative Studies (NILS) (Faleti, Faleti, & Ojeleke, 2014) predominantly play the supervisory role through their think-tank.

Budget Allocation

A budget allocation is the size of funding designated by the government to each expenditure line. It designates the limit to the amount of funding the government is willing to spend on a given project across a stipulated period, and it serves as a limit that is not to be exceeded by the project officers. When making a budget, revenues are initially estimated to decide the size of resources that will be available in the coming budget year. Considering the estimated resources, expenditure ceiling, allocations are allocated to the respective budget category (Ryckman, 2019). When making budgetary allocations, all the requirements of the different sectors of governance are considered and decisions are made concerning most appropriately to assign the available revenue. Budgets are usually categorized into sectoral and project units. This makes it possible for easier understanding and recognition of

the resources allotted to respective programs and projects. Respective category can be made of multiple budget allocations, referred to as line items, for the certain needs for the support of respective the program or the departmental operation as a whole. Estimation of the Budgetary allocations is not always sufficient. This happens when adequate funding for reoccurring expenditures are not factored properly in the budget. This, often require the budget to be adjusted after adoption to factor in the difference (Bennett, 2017). Typical modifications or adjustment includes transferring of funds from other allocation categories or the government's surplus, referred to as savings. As estimations of budgetary allocation can be insufficient, generated revenues can also be underestimated. This happens if a bearish growth in the economy occurs after a budget is adopted, thus negatively affecting revenue streams. Insufficient revenues often call for the need to reduce the size fund allocated for expenditures not to surpass the generated revenues in the budget year. Budgetary allocations are systematically monitored to ensure the size of the budget is sufficient to match the expenditures (Schick, 2002). It is paramount to have key progress indicators in place for all purchase orders and bills, Then the purchase orders and bills are compared regularly against the budget allocation to ensure that sufficient funds exist for the remainder of the budget year.

IV. FUELING CORRUPTION THROUGH BUDGETARY ALLOCATION

Corruption which is seen as a case in which the public office holder uses their authority to make a personal gain in a manner deemed to be unlawful or contradicts the rule of law. The World Bank views on corruption are the abuse of Public Office for personal gains. The budgetary allocation has over time immemorial contributes to the existence and sustenance of corruption in Nigeria. this can be seen clearly in the actions of the corrupt government officeholders. Examples of how budgetary allocation and how the process of budgeting have aided the prevalence of corruption are cited below:

The Oil Benchmark Crisis

The Nigerian economy gets over 90 per cent of her external earnings from crude oil sales (Akinlo, 2012). The crude oil benchmark is defined by the Fiscal Responsibility Act (FRA) in 2007. It is the expected dollars per barrel of oil upon which government revenue should be based. The provision of the FRA in 2007 states that the oil benchmark shouldn't be changed yearly as stipulated in the Medium-Term Expenditure Framework (MTEF) (Our Reporter, 2014). Instead as seen is national assembly budget evaluations sessions, the predominant squabble between the Executive and Legislature arms of government over the years on appropriation has been what should be the appropriate oil benchmark.

The Yearly Illegal Addition of Foreign Projects as Constituency Projects by the members of the Legislature

Constituency projects are pork-barrel legislation or earmarks (Our Reporter, 2014). By interpretation, the legislature, on volition, include projects that the government should execute for them in the federal budgets. Scholars have taken differing looks at the rationality for the constituency project. The Legislators have continued to defend the necessity that it endears them to their electorate (Our Reporter, 2014). Some scholars outside the Legislature believes it to be a means for looting, breach of check and balance norm and connivance between the Legislature and the Executive to grease my palm I rub your back strategy of directing public fund to non-productive but self-milled projects. The constituency project dilemma has no constitutional backing. It has become quite a norm (Udefuna, Jumare, & Adebayo, 2013). If the National Assembly (NASS) wants to live above the fault it should pass a law to legalize the idea and leave the business to a Commission independent of it or rather legalize constituency project and allow the Executive to choose from among the projects submitted by it to the Budget Office of the Federation. Also, the amount to be allocated for the constituency project should be a function of the appropriation process and not a fixed sum appropriated by fiat every year (Vangaurd, 2012).

Claims of Financial Inducement by government agencies to get their budgets easy approvals from relevant Committees.

Committees of the legislature have been accused of an outright demand for financial support and financial inducement since democracy returned in 1999 (Vangaurd, 2012). Top on the list of financial impropriety allegations in the National House of Assembly are:

1. The N54 million bribery saga between the Ministry of Education and Adolphus under Prof. Osuji Phabian.
2. In 2007, there was an N628m scam against Patricia
3. Dimeji Bankole, a former speaker of the house of representative, was implicated an N894 million contract scam.
4. The chairman House committee on capital market in the house of representatives, Herman Hembe, and three other members were allegedly accused of taking N44 million as bribe from the security and exchange commission.

V. CONCLUSION

It is no doubt that the existence of corruption in the Nigerian society is known and visible to all her citizens. The rate is equally alarming and on a bullish trend. Among many things that affect the rate of corruption in Nigeria is the budgeting process. The different arms of government cumulatively use the allocation of budget to perpetuate their unlawful affairs. Sectors ranging from the legislatures to executive to who play direct roles in the process of budgeting and budget allocation to by extension the judiciary whose among other role is to enforce the rule of law and prosecute defaulters. Instead in the Nigerian case, what is evident is gross misconduct in the

process of budgetary and allocation. Its rather a means of “scratch my back, I scratch yours” business between the National Assembly and the Executives. Times and resources are wasted over debate surrounding budget allocations to each project and sectors. Whereas these debates were meant to serve as a tool to scrutinize the budget, the National Assembly use it as a bargaining tool to coerce the Executive into bribes, else they won’t approve your allocated budget. Debates concerning the oil benchmark are revisited over and over again.

VI. RECOMMENDATION

1. The citizens should be re-educated on the processes of budgeting.
2. The government should take up a proactive role in checks and balances rather than a reactive role.
3. National assembly committees on specific government projects should be sensitized towards the adequacy in the budget timeframe.
4. The executive arm the government should to a degree avoid the use of ambiguous words in the budgetary plan.
5. The role of the different arms of government in budgetary should be re-iterated to them to foster responsibility towards their duties and avoid overstepping of boundaries.

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