

The 2021 Federal Appropriation Act and Nigeria's National Development

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Abstract

This article reviews the Nigeria budgetary process with focus on the 2021 FGN Appropriation, to determine the allocation to the key sectors of Education, Health, Agriculture, Women Affairs, and the Social Investment Programme (SIP). It describes the budgetary process while examining the trend allocation to these sectors as compared to the overall budget size and the recommended international benchmark for these sectors. From the literature reviewed, it is observed that the budgetary process in the country is not inclusive and the allocations to these sectors fell below international benchmark and are incapable of driving the country development priorities. It is therefore concluded in this article, despite the increasing size of the budget annually over the last ten years, (10), allocations to the key sectors remain abysmally low, owing to the misplacement of government priorities, and the inability of the public institutions to effectively deliver public goods and services.

Keywords: Appropriation, Fiscal Act, Institution, Public Service Delivery

1. Introduction

The budget is the most important document in Nigeria after the constitution. This is because it is a compendium of the country's development programmes and objectives, with the associated estimation of revenue and expenditure on such projected initiatives. As guiding principle, the budget should reflect the Medium-Term Expenditure Framework (MTEF) and the country's Fiscal Strategy Paper (FSP). Given the importance of the budget as the pillar upon which the development aspirations of a country is anchored on, then it presupposes that the citizens should be part of the budget development and implementation processes. In order words, it means the involvement of all stakeholders in the different stages of the budget processes, more importantly, from the planning stage to implementation, monitoring and evaluation. This step enables the citizens and the civil society to technicality support and provide inputs round the budget cycle. The advantages of such wider citizen participation are enormous, e.g., improvement in service delivery, efficiency, and effectiveness of governance, enabled context for private sector driven growth, enhanced equity and inclusiveness, improved citizens access to public decision making, etc.

Unfortunately, on a wider approach, Nigeria's budgets at national, state and the Local Governments (LGs) have not been people centered, as the policy and the development objectives do not really reflect the needs of the people, being that the process is not participatory as envisaged. This challenge is being sustained by the bureaucratic approach of template filling by the Ministries, Departments, and the Agencies (MDAs) of government involved. Budget should supposedly focus on people, and allowing participatory entry points at the different stages of the budget processes. These are hallmark of good governance and resonate with the section 14 of the constitution of the Federal Republic of Nigeria, which clearly emphasizes that sovereignty belongs to the people and Article 21 of Universal Declaration of Human Rights (UDHR) to buttress this point. It becomes sacrosanct, the involvement of all stakeholders in the different stages of the budgetary processes, more importantly, from the planning stage to implementation, monitoring and evaluation. Regrettably, these paramount needs for greater citizens' participation in the budgetary process are hampered by a weak electorate that is poorly informed on the issue of Public Finance Management (PFM) with limited knowledge of how government generates, allocates and utilizes revenue, especially taxes.

Despite the lingering challenge of economic literacy among the teeming populations and across different spheres of the economy, there is the challenge of technical competencies among the

institutions of government. At the core is the ability to structure the budget with reliable assumptions. Budget assumptions are the pillar upon which the budget indices are anchored on, especially the revenue projections. With the dwindling revenue caused by COVID 19 Pandemic, dwindling oil prices, weak Internal Revenue Generation (IGR) and non-remittances, leakages etc., the states continue to find it difficult meeting their revenue projections, thus hampering effective implementation and performance. The continued efforts of the governments at the national, state and the local levels at surmounting the revenue challenges have led to increasing debt stock for the country.

In furtherance of this, as of March 31st, 2021, data from the Debt Management Office (DMO) shows the nation's total debt stock at N33,107,247, 23t (\$87,239.12b), out of which each of the six target states have a fair share. The upward trend is becoming worrisome, as the debt keeps piling up, it closes the fiscal space for effective delivery of public goods and services, especially gender responsive service delivery, thus exacerbating poverty and inequality. Both the federal and the state governments are currently grappling with high debt profile, a situation whereby the debt servicing to revenue ratio is exceeding 80% is worrisome¹⁶. Certainly, the rising debt stock has negative implication for the states' economy, for instance revenue, productivity and fiscal stability are all being affected. Similarly, another misleading factor is equating budget performance to the level of expenditures by the Ministries, Departments, and the Agencies (MDAs) of government. Budget performance should be ascribed to productivity, the level of value created, in other words, what was achieved over the period, while being guided by value for money.

Problem Statement

As highlighted in the introductory page, the Nigeria budget overtime has become a conduit for siphoning public resources largely due to the non-inclusiveness. The budgetary processes at all levels have not been people centered, the policy and the development objectives do not really reflect the needs and aspirations of the people, largely because the process has not been participatory. The strategic sectors capable of contributing to economic development and growth have not been prioritized. These challenges are sustained by the bureaucratic top-down approach of the budgetary processes by the government Ministries, Departments, and the Agencies (MDAs) which often are shrouded in secrecy.

Research Question: Here are the guiding research questions below; (a) What is the budgetary process in Nigeria? (b) Do the citizens partake in the budgetary process and at which level? (c) How are the allocations priorities determined? (d) In the 2021 Appropriation Act, what are the proportions allocated to the sectors of Education, Health, Agriculture, Women Affairs, and the Social Investment, as percentages of the total budget? (e) Do the allocations reflect the global benchmark for sectoral development to fight poverty and inequality? (f) What are the challenges inherent in the Nigeria budgetary system and the recommendations to addressing them?

Research Objective

The purpose of this paper is to x-ray the FGN 2021 Appropriation Act with the aim to determine the allocative proportions to key sectors, like Education, Health, Agriculture, Women Affairs, and the Social Investment Programme, considered strategic to national development, especially the efforts targeted at creating employment for the teeming youth population, reduction of poverty and inequality in the country. The product of this research paper will be used as an advocacy tool to engage the relevant actors and stakeholders on fiscal transparency and accountability in Nigeria. **Specific Objectives:** (a) To determine the extent of citizens participation in priority setting in the budget process, from the formulation to the implementation stages. (b) To provide information support to the citizens to engender public discourse on the budget allocation dynamics, effectively engage in tracking and monitoring projects and programmes provided in the 2021 Appropriation Act. (c) To generate an advocacy tool to be used by the citizens to engage with policy holders in the sectors of Education, Health, Agriculture, Women Affairs, and the Social Investment Programme (SIP).

Research Scope

This seminar paper covers the 2021 FGN Appropriation. It examines both the expenditure and the revenue projections over the period, 2021, while carefully looking at the allocation pattern as reflection of the programme and the project priorities for the period. On practical terms, the paper reviews the five sectors, namely the Education, Health, Agriculture, Women Affairs, and the Social Investment Programme (SIP) as programme objectives of the FGN. To determine the policy priorities, it took further review of the Economic Recovery and Growth Plan 2017 to 2020, (ERGP) the Medium-Term Expenditure Framework 2020-2022, and the Fiscal Responsibility Paper (FRP) 2021

Research Limitations

This paper is limited by scope, it is not a funded research project, so the scope is determined by the resources available for the research work. As such, there is heavy reliance on secondary literature, which was scrutinized to establish responses to the research questions above. It is imperative to mention that the richness of this research work is largely determined by the available literature within the fiscal ecosystem.

Justification of Study: This study is very important and strategic to generate an advocacy tool for the engagement of governments at the three tiers of government. This has become very important given the increasing unemployment, poverty, and inequality in the country, owing largely to the inability of public expenditure to deliver effectively public goods and services, despite the quantum of resources spend yearly, through budgetary allocations.

Organization of Study: This work is divided into five chapters. The problem statement, research questions, objectives, the scope of the work, limitations, and the justification of the study, are all contained in chapter one of the paper. Literature reviewing and the theoretical framework are established in chapter two. It is in this chapter that all the available and relevant materials on the 2021 FGN Appropriation in Nigeria are reviewed, and an appropriate theoretical framework established for the analysis. The suitable methodology adopted for this work will be described in chapter three of this paper. It will explain the various steps taken to carry out this research work. In chapter four, the available literature used for this work will be presented, this is the main frame of this work. This chapter houses the analysis of the 2021 FGN Appropriation and the implication it has as a development tool. The summary, conclusion and policy recommendations will be presented in chapter five.

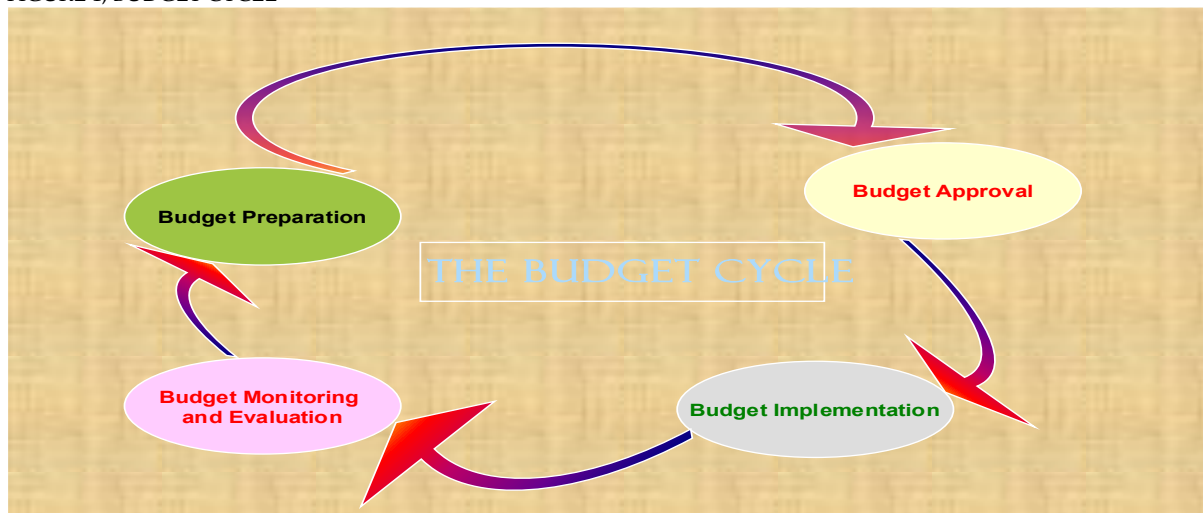
2. Literature Review

As highlighted in the introductory page, the budget is the second most important policy instrument that defines the country priority objectives and direction, in other words, it reflects the state's priorities, its needs, and its promises. The 2021 FGN Budget is a statement of estimated revenue and proposed expenditure over the period 2021, which is expected to be in line with the projected Medium Term Expenditure Framework (MTEF), 2020 – 2022 and as stipulated by the Fiscal Responsibility Act 2007, as amended. There are four main stages of the budgetary processes in Nigeria, namely the preparatory, enactment and approval, implementation and the monitoring and evaluations stages. The preparatory stage commences with a Call for circular, which informs the MDAs that the process for the year has commenced. With this, the institutions are required to start articulating their projections for expenditure and revenue over the fiscal year. Ideally, this should reflect the states or the nation's policy objectives and priorities as contained in the development plan and the policy papers highlight above, where they do exist. The next stage is the budget enactment and the approval stage, the is very important stage in the budget cycle. It is at this stage that the MDAs take turns to defend their budgets proposals before the Budget Office, the State House of Assembly, and the National Assembly.

Thereafter, public hearings are held, offering the public the opportunity to input into the budget. It is mostly at this stage that citizens participation is brought to bear. As soon as the budget consultative process is finalized, the next stage is the enactment of the budget into law, thus becoming an Act of the Parliament. After the budget has been enacted, it becomes an Appropriation, thus a law. However, for

Nigeria there is no enforceable sanction for non-disciplinary implementation of the budget, as such institutions give various excuses for unwholesome implementation. However, it is also important to highlight that funding is a major impediment to budget execution. Following this, fund is usually not released timely to the MDAs, thus affecting project implementations. While the budget implementation process is ongoing, it is also expected that there should be an effective oversight, through monitoring and evaluation at the end of the fiscal year. Budget reports are also expected quarterly, but unfortunately, the MDAs have not strictly adhered to this need. Overall, a good budget should be characterized as shown below.

FIGURE 1, BUDGET CYCLE



Having described what budget is, the processes and the stages, this will inform the presentation of the 2021 FGN Appropriation. For the fiscal year 2021, the key assumptions upon which the budget is anchored puts crude oil price at \$40 per barrel, an estimated crude oil production of 1.86million barrels per day, an exchange rate of N379 per USD, a real growth rate of 3% and an inflation rate of 11.95%. The total expenditure as planned for the 2021 fiscal year is N13.59 trillion. A breakdown of the aggregate expenditure shows that N4.13trillion is earmarked for capital expenditure including the capital, accounting for 30%, while the recurrent expenditure (inclusive of allocation for total debt and statutory transfers) amounts to N9.46trillion, reflecting 70% of the budget. Following the revenue projection for the year, the sum of N7.89trillion is envisaged for 2021, with a deficit of N5.601trillion, constituting 3.93% of the GDP, a clear violation of the 3% maximum provision enshrined in the Fiscal Responsibility Act 2007. 83.57% of this amount is to be financed through international (N2.34 trillion) and domestic borrowings (N2.34 trillion) while 3.66% will be generated through Asset's sales and privatization and 12.77%, through project tied multilateral and bilateral loans. The downward spiral trend of the economy, which compelled the Federal Government of Nigeria to review the 2020 budget, continued to be worrisome. Over the 2nd and the 3rd quarters 2020, there were shortfalls in the revenue profiles due to many factors ascribed to the Covid-19 pandemic, rising inflation, dwindling production, 15 months Boarder Closure etc.

FIGURE 2. GRAPHIC PRESENTATION OF THE 2021 FGN APPROPRIATION STRUCTURE

Structure of the 2021 Appropriation Bill compared to the 2020 Appropriation Act				
	2020 Appropriation Act	2021 Appropriation Bill	Change	% Change
Statutory Transfers	428,032,186,792	484,488,471,273	56,456,284,481	13.19
Total Debt Service	2,951,710,000,000	3,344,380,000,000	392,670,000,000	13.30
Recurrent Non-Debt Expenditure	4,942,269,251,934	5,649,872,137,888	707,602,885,954	14.32
Capital Expenditure	2,488,789,433,344	3,603,679,959,070	1,114,890,525,726	44.80
Total Expenditure	10,810,800,872,072	13,082,420,568,231	2,271,619,696,159	21.01

Source: Budget Office of the Federation, 2021 FGN Appropriation

Theoretical Framework

As enshrined in the Fiscal Responsibility Act 2007 amended and contained in the Medium-Term Expenditure Framework (MTEF) 2020 to 2022, annually the government at the three tiers of governance are expected to articulate and pass into law, a budget containing the policy priorities of the state over the financial year. This is usually done using an enveloping system, whereby each of the government Ministry Departments and the Agencies (MDAs) receive a fund ceiling upon which their projections are anchored on.

Overtime, the budgetary process has failed to effectively support the delivery of public goods and services. To understand the reasons sustaining such systemic failure, the Elite Theory is considered appropriate. This will help to explore the policy dynamics, especially how the priorities were articulated, and above all, determine the possible impacts and establish the inherent gaps associated with the preferred policy strategy. Using the work of Claudia Mariotti 2020, Elite theory as a theory of the state explores the power relationships within a society and postulates that the few, mainly the economic and the policy planning networks, hold the most power, which is not determined by democratic elections¹⁷. In order words, the Elite theory posits that the members of the elites wield enormous power over the corporate bodies and the government decisions due to their positions in society or influence over the planning networks. The Elite theory's main element is the concentration of power, the elites are united, while the non-elites are diverse and powerless. The elites' interests are unified because of their shared experiences and positions. In elite's theory, institutional position is the major defining feature of power.

Underlying the Elite Theory postulations is the common understanding of the asymmetric power relations within society, whereby the elites use their power to influence the positions of authority, tilting the decision-making process towards their interests. Expounding this further, elites' theory investigates beyond power distribution but also inquires on "who holds the power, how, on which basis, for what reasons, with which justification, and how the power can move from a small group to another" This scenario also resonates with Harrold Laswell's, (part of the famous Chicago school) 1936 publication, *Who gets What, When and How*, where he painted the political economy of few minorities connected with the political institutions and the military. The foregoing can help in understanding the dynamics in the Nigeria budgetary processes. As will be demonstrated below in the data presentation and analysis section, Nigeria budgetary processes are characterized with varied forms of elite influence, manifesting in form both political and economic captures.

3. Methodology

The proposed analysis relies largely on secondary literature, with specific reference to the 2021 FGN Appropriation, while examining the following documents MTEF 2020-2022, ERGP 2017 to 2020, FSP 2021, FRA 2007, etc. To determine priorities as projected. Owing to the limitations and scope of this research paper, it relied heavily on secondary literature, using analytical and deductive approaches to review the magnitude of literatures from different sectors. It is, therefore, not an empirical study. However, it is in line with the Jupp 1996 guideline for appraising and assessing documents, which are credibility, meaning, representativeness and authenticity, referring to the reliability or otherwise the originality of the documents

4. Data Presentation and Analysis

Having reviewed the 2021 FGN Appropriation above, illustrating the structure and pattern of the planned expenditure and the revenue expected over the period. Examining the details of the sector allocations, the five sectors, namely the Education, Health, Agriculture, Women Affairs, and the Social Investment Programme (SIP) have abysmal allocations compared to the overall percentage of the budget as shown below.

FIGURE 3. SECTORAL ALLOCATION TO THE FIVE KEY SECTORS

Share of Social Sector in FGN Total Budget in 2020 and 2021 Proposed Budget			
	% Share in 2020 FGN Budget	% Share in Proposed 2021	% Share in 2021 Approved Budget
Agriculture	1.48	1.37	2.063
Education	5.13	5.68	5.61
Women Affairs	0.08	0.08	0.095
Health	3.59	4.18	3.79
Humanitarian Affairs	0.58	3.41	0.604
Gross Allocation to all 5 Sectors	10.86	14.72	11.71

Source: Budget Office of the Federation, 2021 FGN Appropriation

As shown in the table above, Agriculture received 2.0% of the overall budget for the year 2021, showing an increase from 1.48% allocated in 2020. However, this is very low for a country that Agriculture employs over 80% of the population in the informal sector, and Agriculture constituting one of the focal areas for the administration of President Buhari. This is far below the Maputo 10% for agriculture, according to the AU 2003 Maputo Declaration. Similarly, the education sector received 5.61%, an increase from the 5.13% in 2020 Appropriation. This is a demonstration of lacking political will of the government to fund public education, for instance to meet the financing targets outlined in the SDG Framework for action that countries invest up to 4-6% GDP or 15-20% of their national budgets in education but unfortunately in Nigeria, the national budget allocation to education over the last 3 years (2018 to 2021) have not exceeded 7.5%. This is abysmally poor for a country with about 10.2m children out of school. For the Women Affairs sector, the budgetary allocation has not exceeded 1% over the last 5 years. In the 2021 Appropriation, the sector received 0.099% in 2021 and increase from the 0.08% in 2020. The appalling aspect of the allocation is in the detail, where most of the fund is meant for frivolous activities. No country can develop leaving its women behind. The health sector received 3.79% in 2021 and increase from the 3.59% in 2020. Further, this is in contrary to the AU Abuja Declaration in April 2001 on health financing, which recommended 15% of the national budget to be spend on health financing annually. Finally, the humanitarian affairs programme received 0.604% in 2021 compared to the 0.58% in 2020. This is quite unfortunate for a country hosting Internally Displace Persons (IDPs) across the country, coupled with the increasing insecurity that have displaced large percentage of the

populations. Given the limitation on the number of required pages for this essay, this paper reviews only the 2021 Appropriation with regards to the specified sectors.

5. Conclusion and Recommendations

Despite the increasing size of the budget annually over the last ten years, (10), allocations to the key sectors of Education, Health, Agriculture, Women Affairs, and the Social Investment Programme (SIP) remain abysmally low, owning the misplacement of government priorities, and the inability of the public institutions to effectively deliver public goods and services. This inefficiency and the mismanagement of public resources has led to increasing unemployment, poverty, and inequality across the country.

Below are the recommendations for advocacy engagement by the civil society and the development partners to influence the budgetary process in Nigeria. **Expenditure;** (a) The Budget Office of the Federation should deploy fully the implementation of the Zero Budgeting process and train middle managers that should drive the process. The continued use of the enveloping system has offered opportunity for the syphoning of government funds and mismanagement of resources through continued repetition of items yearly in the budget (b) The budgetary processes should be made more participatory, gender sensitive and inclusive, it means the involvement of all stakeholders in the different stages of the budget processes, especially the women groups, People with Disability, and youths, etc. (c) The budget should be devoid of vague and abstract terms; the budget information should be complete and concise. All allocations should be channeled towards concrete deliverables, targeting human and infrastructural development. (d) The Budget Office of the Federation should publish regular expenditure returns from the MDAs to ensure accountability of public resources management. (e) To overcome the continuous mismanagement and wastage of the public resources, Nigeria requires an effective revenue and expenditure management, open contracting and procurement, transparent accounting and reporting procedures, effective internal controls, and audits etc.

As active citizens, we are expected to demand accountability on the utilization of our common resources. **Revenue:** (a) There is need for strong internal resource mobilization to minimize both internal and external borrowings. This is possible through expanding the fiscal spaces by reducing the cost of governance and strengthen the taxation system in Nigeria with the cardinal objective of making it more progressive, thus creating a situation whereby High Net Worth Individuals, companies etc are made to pay their fair share of tax. (b) The Nigerian Government should subject loan procurements to legislative process, open up public debate before entering loan contracts and enhance accountability for the utilization of these loans by providing performance milestones. Furthermore, loans should not be used for recurrent expenditures e.g., to pay salaries, traveling allowances, etc.

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