Analysis of National Budget Implementation: Evidence from 2012-2014 Budgets of Nigeria

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Abstract

The paper examines national budget implementation focusing on the 2012-2014 budgets of Nigeria by juxtaposing the actual performances of the budgets against the projections. Evidence from the study revealed that macroeconomic variables (such as real GDP growth rate, inflation rate, exchange rate and crude oil production), components of revenue and expenditure failed to meet their respective budgeted figures during the period. It was also found that the proportion of actual capital expenditure in aggregate expenditure was abysmally low and capital budget implementation was awfully poor. The paper elucidated some possible causes, implications and policy options.

Keywords: national budget, revenue, expenditure, implementation.

JELClassification: H61, H20, H50, H62.

1. Introduction

The importance of government budget in the socio-economic development of a country cannot be overemphasized. This is because the national budget is the vehicle through which government allocates resources to the various sectors of the economy with a view to ensuring economic transformation. As observed by Ohanele (2010), a well-functioning national budget is vital for formulating sustainable fiscal policy and stimulating economic growth. Apart from being the most important economic policy instrument of the government, the national budget enables the government to translate government social and economic policies, political goals and promises into actions as well as make decisions about where to collect and spend funds in any given period. The national budget reveals the proposed expenditure and the expected revenue of the government for a fiscal year.

A typical budget cycle consists of four major stages namely; budget preparation, enactment, implementation and appraisal. Out of these four stages, budget appraisal is the most neglected stage. The reason is probably because the other three stages seem mandatory by law while the last stage appears not adequately backed by law. In a country that practices the presidential system of government such as Nigeria, it is the responsibility of the executive arm of government to prepare the budget in each fiscal year and send it to the legislative arm for enactment (approval). After all the necessary scrutiny and passage into law, the budget is sent back to the executive for assent and implementation. During and after implementation, little or no attempt is made to ascertain the performance of the budget by juxtaposing the actual performances of the budget against the projections with a view to identifying gaps for corrective measures in subsequent years.

Faleti and Myrick (2012) opined that budget as an instrument of national resource mobilization and allocation needs to be properly designed, effectively implemented, adequately monitored and painstakingly evaluated. Thus, since government uses the budget as a vehicle for fiscal and economic management, facilitation and realization of government vision as well as a tool for enhancing economic growth and development, all the phases in the budget process need to be fundamentally linked. In the past three years, the government of Nigeria has budgeted over N12 trillion (USD80 billion) aimed at achieving fiscal consolidation, inclusive growth and job creation. But these objectives have not been achieved after spending such colossal resources as the country is still experiencing high poverty rate, increasing unemployment rate, widespread income inequality, high maternal and infant mortality, unprecedented infrastructural decay, irregular and erratic power supply, decaying health, educational and transport facilities and lately, serious security challenges.

As government continues to budget more financial resources for the country each year, the level of macroeconomic variables are getting unabated and worse. Therefore, the broad objective of this study is to analyse national budget implementation in Nigeria focusing on the 2012-2014 budgets implementation. The