CHAPTER 6

Budgetary Failures, (1955-2000): Reflections on the Achilles Heels of Nigeria's Development

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Introduction

The budget of a state is the basic document of its financial activities. Budgets are documents which qualify to be described as law, economics and politics, at the same time. They are financial documents which detail the sovereign intention of the state to do or refrain from doing certain economic programmes by permitting the financial allocation of government to its recurrent and capital expenditure within a fiscal year. In other words, the budget is the road-map to a country's fiscal operations and the most vital blue-print of economic planning. Budgets are also instruments universally deployed by sovereign states in the allocation of resources to priority areas of their economic and social development and for ensuring maximum delivery of public goods to the citizenry (Wildavsky, 1974).

In practical terms public budgets are legal documents passed by parliaments and endorsed by the head of government for the purposes of levying taxes, laying out in clear terms the statements of revenues and stating the terms and conditions for the amortisation of the debt of a state. However, the main purpose of the budget is to allocate resources to competing eco-social forces within an economy in such a way that resource-surplus sectors are made to give to resource-poor or deficient sectors in order to ensure balanced development and social justice within the public system. Hence, government budgets all are often directed not only at the tasks of resource allocation but equally of wealth redistribution and economic stabilisation.

However, when budgets are not properly designed or when they fail in implementation, they can become sources of economic retrogression, financial stress and general lack of development. Nigeria, from the days of her de-colonisation in the 1950s up to 2019 failed to use the budget in a most optimal way to direct the allocation of resources in such a way that could properly place her on the trajectory of economic development. In fact, from the 1990s up to 2020 her budgetary functions especially in the provision for capital development, human resource development and infrastructural growth suffered most abysmally. This explains why during the first two decades of the 20th century she had had a stultified development and a high incidence of infrastructural decay and youth unemployment.

This paper sets out to show in a systematic and historical way, the most problematic areas of failures of the federal budget of Nigeria. The paper gives a comprehensive assay of revenues earned by Nigeria from 1955 to 2020 and shows how they were spent on the two critical areas of recurrent (wages, salaries and overhead) and capital (wealth creation and infrastructural development) expenditure. The paper reveals that whereas at most times between 1955 and 1965 the country tried to balance its budget by ensuring that it did not spend more than it actually earned, from the mid-1970s up to 2020, the country over-spent its revenues most excessively incurring huge external and domestic debts in the process. The paper also shows how the lopsided allocation to consumption at the expense of capital development stultified the country's economic development, created a culture of deficit budgeting which was compounded by rapacious corruption and lack of public accountability. The paper thus concludes that except Nigeria does something very radical about its budgeting profile and restores the principles of spending more on the creation of wealth and providing a cushion for lean periods through a huge investment in capital expenditure and savings, it would be most difficult if at all possible to cure the deficiencies of infrastructural deficit, corruption and youth unemployment.

The Most Problematic issues of Budgeting in Nigeria

Excessive Consumption and Poor Investment in the Real Sector

Although economists are not yet fully agreed as to the optimal size of national governments in anchoring development plans (Kaufman 1965; Buchanan 1970) but the fact remains that an over-bloated bureaucracy coupled with politically influenced multiplication of levels of authority and unbridled state intrusion into economic ventures necessarily contract resources which ought to be invested in real economic development (Hayek 1954; Eckstein 1973; Lee and Johnson 1978; Landau 1983). It is on record (www.bpeng.org 2004) that government excessive participation in commercial and non-commercial ventures in Nigeria including those of educational institutions grew from a few number of establishments at independence in 1960 to an extensive network of public institutions to which huge subventions over the years up to the era of privatization or commercialization of these institutions in the late 1980s had to be paid. Most of these establishments, by their structure and orientation were not self-sustaining financially and those which were, were bedevilled by the problems of massive corruption. However, between 1960 and 2003 government investment in all the establishments was put at ₦800 billion with their combined annual maintenance cost of ₦350 billion (Ekaete, 2003).

The problem of public spending via the budget in most of the years spanning 1955-2020 was a lopsided investment in recurrent expenditure, which only fuelled consumption than in the capital spending which supports growth, development and the creation of wealth. Nigeria went through 13 different administrations during this period and except for two of them, no other government ever put as just as half of Nigeria's total expenditure in the service of capital investment but into consumption. The overall effect of that has been that Nigeria suffered from real sector development, which has affected the capacity of the economy to self-generate wealth, create development infrastructure and support industrialisation-driven job creation and employment. The orientation of government spending therefore was tilted most calamitously in favour of the creation and multiplication of government bureaucracies, needless increases in size of a salary-earning and dependent elite and the multiplication of government departments and Parastatals with vey duplicitous roles in the system. This was the real cause of Nigeria's lack of development since her independence from colonial rule in October, 1960.

Table 1.0: Comparative Recurrent and Capital Expenditure, 1955/56-1979/80 (₦' Million)

Year	Total	Recurrent	% of Total	Capital	% of Total
1955/56	61,686,554	55,386,554	89.7870774	6,300,000	10.2129226
1956/57	75,668,492	62,924,874	83.1586204	12,743,618	16.8413796
1957/58	82,789,448	65,673,107	79.3254558	17,116,341	20.6745442
1958/59	103,493,262	75,414,200	72.8687052	28,079,062	27.1312948
1959/60	117,579,168	81,749,318	69.5270424	35,829,850	30.4729576
1960/61	108,700,000	24,600,000	22.6310948	84,100,000	77.3689052
1961/62	136,500,214	104,500,214	76.5568133	32,000,000	23.4431867
1962/63	152,803,055	111,603,055	73.0371883	41,200,000	26.9628117
1963/64	169,466,470	124,437,576	73.4290246	45,028,894	26.5709754
1964/65	191,971,407	139,279,747	72.5523395	52,691,660	27.4476605
1965/66	214,360,935	158,272,747	73.8346971	56,088,188	26.1653029
1966/67	221,495,899	169,075,350	76.3333997	52,420,549	23.6666003
1967/68	239,471,486	170,529,193	71.2106463	68,942,293	28.7893537
1968/69	251,593,207	182,200,000	72.4184894	69,393,207	27.5815106
1969/70	422,661,076	335,200,000	79.3070427	87,461,076	20.6929573
1970/71	464,200,818	396,200,000	85.3509913	68,000,818	14.6490087
1971/72	708,595,709	547,900,000	77.3219472	160,695,709	22.6780528
1972/73	1,412,842,000	963,500,000	68.1958775	449,342,000	31.8041225
1973/74	2,740,600,000	1,517,100,000	55.3564913	1,223,500,000	44.6435087
1974/75	5,942,600,000	2,734,900,000	46.0219433	3,207,700,000	53.9780567
1975/76	7,856,700,000	3,815,400,000	48.5623735	4,041,300,000	51.4376265
1976/77	8,823,800,000	3,819,200,000	43.2829393	5,004,600,000	56.7170607
1977/78	8,000,000,000	2,800,000,000	35	5,200,000,000	65
1978/79	7,406,700,000	3,187,200,000	43.0313095	4,219,500,000	56.9686905
1979/80	13,214,200,000	4,805,200,000	36.3639115	8,409,000,000	63.6360885
Total	59,120,479,200	26,447,445,935	44.7348301	32,673,033,265	55.2651699

Sources: (i) *Report of the Accountant General of the Federation together with Financial Statements* various years (ii) Central Bank of Nigeria, *Statistical Bulletin, vol. 11 no.2* December, Lagos: Central Bank of Nigeria, 2000: 87-100. (iii) Central Bank of Nigeria, *The Changing structure of the Nigerian Economy*. Lagos: Realm Communications Ltd. 2000: 56-176.

The disproportionate spending on consumption rather than on investment in the real sector has a long history. During the colonial regime including the decolonisation period, government spending on those things that could bring about development such as infrastructure, human capital, industrialisation-driven employment, agro-allied industries was dismal. In fact, and as shown in Table 1.0 above, recurrent expenditure, which went only to consumption accounted, on the average, during 1955/56 up to 1959/60 fiscal year for a whopping 78.96% of total government expenditure leaving capital expenditure at a minuscule 21.04%. For instance, in 1955/56, 1956/57 and 1957/58 fiscal years, recurrent expenditure accounted for 89.78%, 83.15%

and 79.32% respectively, while capital expenditure was a paltry 10.2%, 16.84% and 20.67% in the corresponding years.

For any development to be meaningful and sustainable in a developing country such as Nigeria, capital budget should not be less than 50% of total government expenditure. This is necessary in order to lay the foundation for the "take-off" of the economy thought the building of development and social infrastructure. But this opportunity was almost always missed by Nigeria's ruling elite in all the administrations that have had the opportunity of governing the country. It may be understandable if the colonial administration failed to realise this, owing to the rapacious nature of colonial rule but no such a case may be made for and indigenous elite to which the country development destiny was thrust in the 1960s and since then.

Even Today, the size of Nigeria's federal bureaucracy, which is a major problem in public expenditure planning and resource management, has still remained clearly unwieldy. As of year 2000 for instance, there were a total of sixty-two (62) Nigerian foreign missions, maintained at very high foreign exchange costs; and two hundred and sixty two (262) parastatals some of which duties have become so highly duplicative of the others that it has become very difficult to ascertain which role belong to which parastatals within the federal public service (www.bpeng.org 2004:1-9).

The first obvious implication of unbridled multiplication of bureaucracies on the budget is huge wage bills with the consequential over-heating of the recurrent side of the budget. What this translated to in actual macro-economic terms from the 1970s to 2000 was that government embarked on budget deficit financing to pay salaries and wages which increased due partly to government deliberate intent to increase the 'take-home' pay of the civil servants and partly due to pressures from organized labour and the need to mitigate the harsh effects of inflation. For instance, in the thick of the costly post – civil war reconstruction effort of the early 1970s, and in spite of the huge increases in the size of the armed forces from less than ten thousand to over two hundred thousand (Ayida 1987: 41-42), government bowed to wage and salary increases agitation. The military administration of General Yakubu Gowon accepted the report of the Udoji-led Public Service Review Commission and approved the "Udoji awards" which saw to substantial salary increases for all federal government workers (Ayida 1987, Oyejide 1976). The award was very significant in terms of its quantum and impact on the federal budget. At a time when total federal government expenditure was ₦2,740.6 million, the Udoji awards gulped ₦859.3 million (Ayida 1987:42) representing some 31.4% of the total expenditure of the federal government in those years.

During General Yakubu Gowon's Military regime and as further shown in Table 1.0 above, in spite of the fact that the government saw to the ascendancy of petroleum revenue which increased stupendously federally generated revenue in the 1970s, the government still spend more, on the average on recurrent rather than capital expenditure. But for 1974/75, 1975/76 and 1976/77 when capital expenditure clearly exceeded the recurrent, General Gowon's administration failed to make the fullest use of the increase revenue due to oil income. On the average federal government investment in the real sector through the capital budget was only 31.95% in all the 9 years that the administration governed the country from about the middle of 1966 to July 1975.

The only time in Nigeria's economic history since the 1950s that the federal government ever significantly invested into the creation of wealth through the capital budget was during the administration of Generals Murtala Muhammed/Olusegun Obasanjo (1976-1979) and that of President Shehu Shagari (1979-1983). Just as shown again in Table 1.0 above, the proportion of government spending on capital budget in the years 1976/77, 1977/78, 1978/79 and 1979/80, were, in that order, 56.71%, 65%, 56.96% and 63.63%. no other military administration from thence up to the birth of the Fourth Republic in 1999 did ever perform so excellently in investment into Nigeria's commonwealth creation and maintenance.

On the average, total government investment in the capital budget was 60.55%. The record of this outstanding performance was only broken during the four-year rule of President Shehu Shagari which immediately succeeded General Obasanjo in October 1979. The government, as shown in Table 1.1 below, spent on the capital budget and consequently on the creation of wealth in 1980, 1981, 982 and 1983, the sum equal to 76.52%, 64.14%, 57.20% and 50.70% of total public expenditure, respectively. This stood at an average of 62.12% in those years. No better record of capital budget performance since then has been recorded in Nigeria. Hence, the verdict of history is that more than any other government before or after it and up to the year 2020, the administration of President Shehu Shagari was the best performed in terms of investment in the real sector and capital development of Nigeria.

Table 1.1: Comparative Recurrent and Capital Expenditure, 1980-2000 (₦' Billion)

Year	Total	Recurrent	% of Total	Capital	% of Total
1980	14.46	3.394	23.47164592	11.066	76.52835408
1981	10.237	3.67	35.85034678	6.567	64.14965322
1982	11.217	4.8	42.79219043	6.417	57.20780957
1983	9.637	4.751	49.29957456	4.886	50.70042544
1984	9.928	5.828	58.70265915	4.1	41.29734085
1985	13.041	7.576	58.09370447	5.465	41.90629553
1986	16.223	7.696	47.43882143	8.527	52.56117857
1987	22.019	15.646	71.05681457	6.373	28.94318543
1988	27.749	19.409	69.94486288	8.34	30.05513712
1989	41.028	25.994	63.35673199	15.034	36.64326801
1990	60.269	36.22	60.09723075	24.049	39.90276925
1991	66.585	38.244	57.43635954	28.341	42.56364046
1992	92.797	53.034	57.15055444	39.763	42.84944556
1993	155.327	136.727	88.02526283	18.6	11.97473717
1994	120.975	89.975	74.37487084	31	25.62512916
1995	172.189	127.63	74.12204032	44.559	25.87795968
1996	172.491	124.491	72.17246117	48	27.82753883
1997	274.554	158.564	57.75330172	115.99	42.24669828
1998	363.473	178.098	48.99896278	185.375	51.00103722

1999	586.646	449.662	76.64963198	136.984	23.35036802
2000	773.218	461.609	59.69972246	311.609	40.30027754
Total	3064.063	1953.018	63.73948577	1061.045	34.62869399

Sources: (i) Central Bank of Nigeria, *Statistical Bulletin*, vol. 29, December, Lagos: Central Bank of Nigeria, 2018, Table B. 1.1

The cumulative effects of these patterns of spending which tilted in favour of recurrent instead of capital expenditure except for the period between 1974/75-1983 was that recurrent costs of salary increases in the civil service and Parastatals overwhelmed the government. Thus, in the 21-year period of 1980-2000 and as shown in Table 1.1 above, government could only put just 34.62% into the country development while more about 64% of total spending went into consumption. This was clearly a most unfortunate expenditure character in those years. That means that in pure analytical terms, the federal government from 1960 up to the middle of the 1990s continually increased its workforce and therefore spend more on salaries, wages and overhead costs than on investment on what could ensure development and job creation for tis citizens.

In fact, by the 1990s, in spite of the economic restructuring programmed enunciated under the Structural Adjustment Programme (SAP) which resulted in some retrenchment of some federal civil workers and some cosmetic seemingly cost-saving measures, the total staff strength in the federal public service still climbed from a few hundred in the 1960s to several thousands in the 1990s. In fact, by the year 2001, the total staff strength of the federal civil service was 996,944 (Ekaete, 2003:15). These numbers did not include officers and men in the Armed Forces and the Police whose combined strength was put by the erstwhile Secretary to the Government of the Federation at approximately 400,000 officers and men (Ekaete 2003:16). Thus, the huge recurrent implications of this on the budget became even more debilitating to public treasury when the staff in the political offices of the federation (Presidency and the National Assembly) as well as the judiciary which accounted, as at May 2003 for 1,448 and 1,152 respectively, were added. (Ekaete 2003:16).

Hence, it was not surprising that in fiscal years 1999, 2000, 2001, 2002 and 2003, and as shown in Table 1.2 below, the federal government on the average, spent between 7 and 8 times more on governance than on the provision of infrastructure and the creation of wealth. This explains the profuse protestation of President Olusegun Obasanjo in 2003 when he, quite belatedly, observed that recurrent expenditure alone in that year's budget accounted for 80% of the total expenditure of the federal government (Daily Independent 2003:1). But facts have since shown that such protestations were merely pretentious at best, for, the history of power sharing among the federating parts of Nigeria over the years (and which invariably determines the institutional budgetary commitments of those parts) have shown an increasingly acquisitive federal government desirous of doing everything to ensure the expansion of its legislative and executive powers at the expense of the states. The implication of this was that expenditure in such executive and institutional expansion of federal presence on virtually all fronts in Nigeria bore with it a corresponding increase in recurrent expenditure. This point is further illuminated in the next segment of this paper.

Table 1.2: Comparative Recurrent and Capital Expenditure 2001-2020 (₦' Billion)

Year	Total Expenditure	Recurrent	% of total	Capital	% of total
2001	1,018.00	579.30	56.90	438.70	43.10
2002	1,018.18	698.80	68.40	321.38	31.56
2003	1,225.99	984.30	80.29	241.69	19.71
2004	1,461.89	1,110.64	75.97	351.25	24.03
2005	1,840.70	1,321.23	71.78	519.47	28.22
2006	1,942.49	1,390.10	71.56	552.39	28.44
2007	2,348.55	1,589.27	67.67	759.28	32.33
2008	3,078.25	2,117.36	68.78	960.89	31.22
2009	3,280.77	2,127.97	64.86	1,152.80	35.14
2010	3,993.31	3,109.44	77.87	883.87	21.13
2011	4,233.06	3,314.51	78.30	918.55	21.70
2012	4,199.86	3,325.16	79.17	874.70	22.83
2013	4,323.34	3,214.95	74.36	1,108.39	25.64
2014	4,210.06	3,426.94	81.40	783.12	18.60
2015	4,650.30	3,831.95	82.40	818.35	17.60
2016	4,813.72	4,160.11	86.42	653.61	13.58
2017	6,022.29	4,779.99	79.37	1,242.30	20.63
2018	7,357.30	5,675.20	77.14	1,682.10	22.86
2019	8,571.00**	6,540.00*	76.30	2,031.00	26.70
2020	10.805.54***	7,893.98*	73.05	2,488.78	23.03
Total	**61,018.06**	**46,757.22**	**74.60**	**18,782.62**	**25.40**

Sources: (i) Central Bank of Nigeria, *Statistical Bulletin*, vol. 29, December, Lagos: Central Bank of Nigeria, 2018, Table B. 1.1. (ii) National Assembly of the Federation, "Appropriation Act", 2019 and "Appropriation Act", 2020.
* Inclusive of debt servicing but excluding statutory transfer of N422.80 billion. ** As approved by NASS.
*** Before presidential assent and after the revision of the years earlier budget of N10.59 trillion. The revision was approved by NASS on Thursday 11 June 2020.

Overconcentration of Powers in the Federal Centre

Another major cause of budgetary failures is over-concentration of powers in the hands of the federal government. Virtually all the significant state powers of the federation of Nigeria have been cornered by the federal government with the attendant implication of unbridled increases in the number of public institutions and personnel that have to be maintained by and catered for in the federal budget. The implication of this on the fiscal balance of government was an over-bloated personnel cost and the shrinking of the financial resources available for real sector development. For instance, of the 68 legislative and institutional responsibilities of government provided in the 1960 Constitution of the Federation of Nigeria, the federal government alone acquired 42 (61%). This was done under the Exclusive Legislative List of the constitution. Since then, powers and responsibilities that fell under the Exclusive Legislative List and which did involve the deployment of huge expenditure outlay to establish and maintain were systematically increased in all cases of constitutional enactments or amendments. This was done either by diminishing the powers and responsibilities of the states and local governments in favour of the federal government or by creating new ones in favour of the federal government.

Table 2.0 below shows the progressive increases from the 1960 independence constitution to the current 1999 constitution in the powers of the federal government with dire financial consequences on the budget. The exclusive powers of the federal government increased progressively from 42 items under the Independence Constitution of 1960 to 45 items under the Republican Constitution of 1963. It was again increased by 22 to 67 items under the Constitution of the Federal Republic of Nigeria of 1979. The 1989 and 1995 draft constitutions of the Third Republic contained 64 items over which the federal government enjoyed exclusive preserve while in the current Constitution of the Federal Republic of Nigeria of 1999 (as altered), the powers of the federal government have been increased to cover 68 items under the same exclusive legislative list of powers.

Table 2.0: Constitutional share of Powers between in Nigeria, 1960 – 1999.

S/N	Constitution	Total Governmental Powers	Concurrent Legislative Powers	% of total	Exclusive Legislative Powers	% of total
1.	1960	68	26	38.2	42	61.8
2.	1963	74	29	39.2	45	60.8
3.	1979	79	12	15.2	67	84.8
4.	1989*	76	12	15.8	64	84.2
5.	1995**	85	21	24.7	64	75.3
6.	1999	98	30	30.6	68	69.4

Sources: (i) Constitution of the Federation of Nigeria, 1960 2nd Schedule, Parts I and II.
(ii) Constitution of the Federation of Nigeria 1963 2nd Schedule Parts I and II.
(iii) Constitution of the Federal Republic of Nigeria, 1979 2nd Schedule Parts I and II.
(iv) Constitution of the Federal Republic of Nigeria 1989 2nd Schedule Parts I and II.
(v) The Draft Constitution of the Federal Republic of Nigeria, 1995.
(vi) Constitution of the Federal Republic of Nigeria, 1999. 2nd Schedule Parts I and II.

Conversely, the same Table 2.0 above shows that at all times in which the Nigerian constitution was made, the federal government had always had greater share of powers at the expense of the state. In fact, in 1979, the concurrent powers of the States of the Federation were greatly reduced from 29 items which they had been under the 1963 Republican Constitution to a paltry 12. Under the extant 1999 constitution, there only 30 items compared to federal government's 68. This concentration of powers has today become a major budgetary burden and source of agitation for power de-concentration among the constituent parts of the Nigerian federation.

Fiscal Imbalance and Deficit Financing

The ultimate cumulative effective of many years of lopsided investment in recurrent rather than capital expenditure soon became the underdevelopment of the country and the consequent loss of fiscal balance occasioned by deficit budgeting, over-borrowing and failure of governance in the critical areas of infrastructure development, maintenance and job creation. The huge recurrent bills meant that Nigeria did spend more than she earned in most of the years under review. That fact fostered on the country an unsustainable recurrent bill which kept increasing with every addition to the bureaucracy and, every such addition diminished the resources that could be made available for capital development. This fact, which became the "Achilles heels" of the Nigerian budgeting system more particularly from the 1980s, exacerbated infrastructure decay and reduced generally the quality of life and standards of living in the country. Tables 3.0, 3.1 and 3.2 below illustrate this more vividly.

Nothing can be more debilitating to the principle of balanced budget and prudence in the use of public resources than an over-spent purse. Nigeria, from about 1974 to 1980 actually did overspend her revenues by millions, of naira. This was in spite of the fact that the period saw to the ascendancy of petroleum revenue which boosted her revenue accruals profile. Yet, the government of the federation over-spent its purse by millions of naira with very little corresponding gains on the capital side. For instance, and as shown in Table 3.0 below, the last time Nigeria consistently balanced her budget was between 1960 and 1969. Although the immediate post-independence administration of Nigeria especially under the government of Sir Tafawa Balewa and his astute Minister of Finance, Chief Festus Okotie-Eboh ensure that the country followed the path of either a balanced or surplus budget. In no year during their post-independence administration did that government overspend its revenue. It was the last time in Nigeria's economic history that public finance enjoyed the luxury of surplus budget.

This picture changed drastically as Nigeria entered into the civil war years but more particularly as she began to be governed by military rulers. For instance, although the country was able to come out of its civil war debacle without any significant indebtedness to any external creditors, she emerged in 1970 from the war with her first deficit budget of -₦8.62 million. The government quickly recovered from this in 1971, 1973, and 1974 when, as shown in Table 3.0 below, she posted surplus budgets of ₦2.58 million, ₦1.92 million and ₦9.54 million respectively. After that and up to 1980, except for a brief period of 1979, Nigeria continued to post deficit budgets at all times. Thus, from 1961 to 1980, whereas Nigeria earned a total of ₦62,638.50 million, she spent ₦63,023.68 million, which left a deficit of -₦1,405.19 million. But the surplus and balance budgets of the years 1961 to about 1974 were such that the cumulative effect of this overspending did not lead to adverse performance of the Gross Domestic Product (GDP) such that the rate of growth in the economy was not completely written off by her borrowings and deficit financing. The country was thus still able to post on the average, a cumulative surplus of 3.85% on the GDP scale.

Table 3.0: Deficit Financing of Federal Budget, 1961-1986 (₦' million)

Year	Revenue	Expenditure	Surplus (+)/ Deficit (-)	Surplus/Deficit as % of GDP
1961	223.65	163.90	59.76	2.53
1962	477.70	167.48	310.22	11.94
1963	498.19	183.51	314.67	11.42
1964	554.41	220.34	334.07	11.54
1965	654.34	236.42	417.92	13.44
1966	612.88	255.14	357.74	10.60
1967	654.34	258.01	396.33	14.40
1968	569.53	349.89	219.64	8.27
1969	775.96	556.19	199.76	5.63
1970	448.80	903.90	-455.10	-8.62
1971	1,168.80	997.20	171.60	2.58
1972	1,404.80	1,463.60	-58.80	-0.82
1973	1,695.30	1,529.20	166.10	1.92
1974	5,537.00	2,740.60	1,796.40	9.54
1975	5,514.70	5,942.60	-427.90	-1.99
1976	6,765.90	7,856.70	-1,090.80	-4.09

1977	8,042.40	8,823.80	-781.40	-2.48
1978	5,178.10	8,000.00	-2,821.90	-8.17
1979	8,868.40	7,406.70	1,461.70	3.48
1980	12,993.30	14,968.50	-1,975.20	-3.98
Total	**62,638.50**	**63,023.68**	**-1,405.19**	**3.85**

Source: CBN, *Statistical Bulleting* vol. 12. Lagos: CBN, 2010, Table B.1.1.

However, the story changed drastically from 1981 to 2000 and from 2001 to 2020 as shown in Tables 3.1 and 3.2 below. Deficit financing of the budget became a dominant feature of Nigeria's federal finances. In fact and as shown in Table 3.1 below, except for 1995 and 1996, the federal government consistently recorded deficits in its budgetary spending in all of the fiscal years from 1981 to 2000. Between 1993 and 1998, General Sani Abacha was Head of State, his administration despite its poor human rights records was not just able to balance its budget in the five years that it was in power but recorded surpluses of ₦1 billion in 1995 and ₦32.05 billion in 1996. The administration, of all the military administrations that governed Nigeria between 1984 and 1999, recorded the least negative growth rate, on the average, of the GDP to total expenditure. This is in contradistinction to the administration of General Ibrahim Babangida which preceded it and which recorded the worst negative GDP growth to GDP not only in comparison to all the military administration that governed Nigeria from between 1966 and 1979 and 1984 and 1999 but also of all governments that ruled in Nigeria from 1960 to 2020.

Table 3.1: Deficit Financing of Federal Budget, 1981-2000 (₦ Billion)

Year	Revenue	Expenditure	Surplus (+)/ Deficit (-)	Surplus/Deficit as % of GDP
1981	7.51	11.41	-3.90	-2.69
1982	5.82	11.92	-6.10	-3.94
1983	6.27	9.64	-3.36	-2.06
1984	7.27	9.93	-2.66	-1.56
1985	10.00	13.04	-3.04	-1.58
1986	7.97	16.22	-8.25	-4.08
1987	16.13	22.02	-5.89	-2.36
1988	15.59	27.73	-12.16	-3.80
1989	25.89	41.03	-15.13	-3.61
1990	38.15	60.27	-22.12	-4.43
1991	30.83	66.58	-35.76	-6.00
1992	53.86	92.80	-39.53	-4.35
1993	126.07	191.23	-65.16	-5.18
1994	90.62	160.89	-70.27	-3.99
1995	249.77	248.77	+1.00	+0.03
1996	369.27	337.22	+32.05	+0.85
1997	423.22	428.22	-5.00	-0.12
1998	353.72	487.11	-133.39	-2.91
1999	662.59	947.69	-285.10	-5.37
2000	597.28	701.05	-103.78	-1.50
Total	**3,097.83**	**3,884.77**	**-787.55**	**-58.65**

Source: CBN, *Statistical Bulleting*, vol.29 December, 2018, Table B. 1.1

On the whole, the period 1981 to 2000 presented the worst-case scenario in Nigeria's fiscal administration since independence. By recording a negative growth rate of -58.65% of the GDP as a proportion of total expenditure, it became the period during which Nigeria's deficit spending went beyond control. This compelled unbridled borrowing by the government, a practice that led to a huge debt burden from which the country could not extricate herself until 2006 when, during the administration of President Olusegun Obasanjo, some 60% of the portion of the external debt owed to the Paris Club was liquidated under a very special arrangement of debt buy-back and forgiveness.

Still, from 2001 to 2020, Nigeria's budgetary performances on the deficit expenditure scale did not abate. From 2001 until 2020 the country still overspent its revenue by large margins. There was no single year during this span of time that Nigeria did not embark on deficit spending. It is instructive to note that military rule ceased in Nigeria in May, 1999 after 17 years of their second phase of rulership in Nigeria (the first being the period 1966-1979) and that since then until 2020, civil rule under a democratic system had been in charge of the country's governance
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Table 3.2: Deficit Financing of Federal Budget, 2001-2020 (N Billion)

Year	Revenue	Expenditure	Surplus (+)/ Deficit (-)	Surplus/Deficit as % of GDP
2001	796.98	1,018.80	-221.05	-2.72
2002	716.75	1,018.18	-301.40	-2.66
2003	1,023.24	1,225.99	-202.72	-1.52
2004	1,253.60	1,426.20	-172.60	-1.00
2005	1,660.70	1,822.10	-161.40	-0.72
2006	1,836.61	1,938.00	-101.40	-0.35
2007	2,333.64	2,450.90	-117.24	-0.36
2008	3,193.44	3,240.82	-47.38	-0.12
2009	2,642.98	3,452.99	-810.01	-1.83
2010	3,089.18	4,194.58	-1,105.40	-2.02
2011	3,553.54	4,712.06	-1,158.52	-1.84
2012	3,629.61	4,605.39	-975.78	-1.36
2013	4,031.83	5,185.32	-1,153.49	-1.44
2014	3,751.68	4,587.39	-835.71	-0.94
2015	3,431.03	4,988.86	-1,557.83	-1.65
2016	3,184.72	5,858.56	-2,673.84	-2.63
2017	2,847.32	6,456.70	-3,609.37	-3.17
2018	4,185.64	7,813.74	-3,628.10	-2.84
2019	4,770.00	9,390.00	-4,620.00	-3.56
2020	5,506.00	10,805.54*	-5,299.54	-4.60
Total	**57,438.49**	**75,386.58**	**-28,752.78**	**-37.33**

Source: CBN, *Statistical Bulleting*, vol.29, December, 2018, Table B. 1.1
* revised budget, signed into law on 11 July 2020.

It should be noted however that although deficit spending has not ceased in the fiscal administration of the country, it has reduced significantly as a proportion of the GDP. Whereas the average deficit to GDP during the period 1981 to 2000 was 58.65%, during 2001 to 2020, deficit to GDP reduced to 37.33%. Most of the incidences of deficit were recorded by the administration of President Muhammadu Buhari whose deficit spending were in the order of trillions of naira. For example, in 2015, 2016, 2017 and 2018, deficit spending by the government was ₦1.65, ₦2.63, ₦3.17 and ₦2.84 trillion respectively. In sum however, whereas the government earned the sum of ₦57.438 trillion during the period 2001 to 2020, it however spent ₦75.386 trillion representing an excess expenditure over revenue of ₦28.752 trillion.

Corruption

Corruption, which is defined tentatively here, as the misapplication of public goods to private ends (Nye 1967: 417), was the most destructive of the objectives of national budgets, planning and development in Nigeria during the review period. There are as many works on the causes and consequences of corruption as there are authors (Rose-Ackerman, 1997; Tullock. 1967; Nye, 1967; Brownsberger, 1983; Scully, 1991; Akinseye-George, 2000; Odekunle, 1983; Gboyega, 1996; Montinola and Jackman, 2002; Lawal, 2002). All these are agreed in their diverse cross-country studies that the most basic causes of corruption are:

(a) the dominant and direct participation of government in economic activities especially in the direct participation in business enterprises which "increases the supply of rent and thus enhance corrupt behaviour" (Scully 1991;99).

(b) the ability of the government to intervene in markets which provide bureaucrats the "incentive and opportunity to extract bribes" (Montinola and Jackman, 2002:150).

(c) a materialistic politico-cultural orientation of people where "a climate of corruption had developed which legitimizes" corruption through a culture of "gift-giving" and nepotism (Brownsberger, 1983:226; McMullan, 1961:194).

(d) rapacious acquisitive tendencies of Africa's potentates and dominant social elite who draw their inspiration from their respective colonial antecedents (Lawal, 2002:3-8). These acquisitive tendencies give credence to the materialism explanation of the causes of corruption in Africa which is said to be due to the desire of those in power to "commit corrupt acts to remain in power and to avoid exposure of their earlier actions". This ruling class, having tasted "polite offerings" realise the potential to make money and are tempted on to ever greater corruption acts" (Brownsberger 1983:226).

(e) the obvious refusal or reluctance to sanction indicted officials for corrupt acts which has continued to make the public see the futility of any anti-corruption campaign. This public perception is particularly important in assessing the relative celebration the traditional society gives to one of their own who become rich by whatever means without much care as to asking questions about the sources of such riches.

However, much caution should be exercised while alluding to cultural factors as being the precipitate of corrupt practices in Nigeria. In Brownsberger's very illuminating study (Brownsberger 1983), a bold attempt was made to link Nigeria's traditional gift-giving culture to the development of corrupt practices among government officials:

Corruption, it is said, arose through traditional gift-giving and nepotism…they contribute to many individual cases of dishonesty and make corruption hard to eradicate. (Brownsberger, 1983:226).

Ekpo (1979) agrees with Brownsberger that a materialistic culture predisposes a people to corruption and makes them celebrate riches regardless of their sources. He points at the instance of materialistic culture of gift-giving and receiving in the Nigerian society as being manifested through the culture of "patron/client", "big-man/small-boy" relationship, he concludes by arguing that the combined effects of dependency relations as shown in the "big-man/small-boy" relationship coupled with ethnic loyalties, define the borders of Nigeria's corruption (Ekpo, 1979:161-188).

However, it may be grossly misleading to assume that much of corrupt acts in the country in the period covered by this study were traceable to cultural pre-determinants alone. Granted, certain aspects of the African (Nigerian) culture might engender patronage and rent-seeking relationship, but the scope, quantum and persistence of the corrupt acts in the country were such that cultural factor alone presents a rather too narrow causal explanation. Akinseye-George (2001) has argued that many aspects of the culture of Africa are not permissive but prohibitive of and sanction corruption. He argues that corruption should not be given any "African-culture' explanation, rather it should be seen within the global perspective of declining public accountability which, to him, is a function of weak legal framework permitting the continuance of the social malaise.

It is not the intention of this paper to align forces with any of the two schools on the cultural tenor of corruption. Rather, the paper posits that official corruption is largely a function of the degree of participation of the state in direct business ventures. It has been suggested that states that are at the very low level of capitalist economic development are wont to operate an overwhelmingly traditional society with all the sentimental attachment of the citizens to family loyalties, patronage and acquisition of material benefits in favour of the citizen's local area even if doing so offends the larger community. This is not to say that corrupt practices are not found in highly economically developed nations, but that the likelihood of culprits being discovered and punished is higher (Rose-Ackerman, 1997:37). This surely creates a preponderance of collective psychology of queuing at the back of accountability more than corrupt self-enrichment (Rose-Ackerman, 1997:35-57; Ruzindana, 1995).

Besides, some Nigerian leaders have not been unconcerned with the level of corruption and its consequences on the country. President Shehu Shagari, a former president of Nigeria (1979-1983), in a response to a question in 1982, lamented:

What worries me more than anything among our problems is that of moral decadence in our country. There is the problem of bribery, corruption, lack of dedication to duty, dishonesty and all such vices. (Africa Now (London) November, 1985:55).

Also, Chief Obafemi Awolowo, one of the architects of Nigeria's federalism expressed his utter disgust at the level of bureaucratic corruption and poorly managed public sector in the following words:
Since independence, our government have been a matter of a few holding the cow for the strongest and most cunning to milk. Under the circumstances, everybody runs over everybody to make good at the expense of others. (Africa Now (London) April 1979: 25).

By the year 2000, about twenty years after the worries and frustrations expressed by two of the country's highly distinguished leaders above, the situation of corruption had become a nightmare and a total embarrassment to the generality of the citizenry. That year, the Transparency International (TI), an international non-governmental research organisation based in Berlin, Germany, published its corruption perception index and rating of some countries in the world. Nigeria was rated as the second most corrupt country (www.globalcorruptionreport.org). This shows the extent to which corruption had by then adversely affected the image of the country in the estimation of the right-thinking people of the world.

Corruption, as it affected the budget process, happened in diverse forms and involved diverse levels of government. First, there was a form of corruption which arose from acts of deliberate omission by public officers occasioning loss of cash and stores to the federal government. Second, there was another form of corruption involving direct theft of cash. Third, corruption occasioned by deliberate over-padding of budget figures, especially expenditure items. Fourth, corruption involving conversion of public assets to private use or under-valuation of same for the purpose of cheating the government of the revenue which ought to accrue from its sale. Fifth, corruption involving illegal practices in Parastatals of government and in the issuance of licenses, which again led to loss of revenues. Sixth, corruption involving illegal transfer of funds to commercial banks or a practice whereby the Central Bank refuses to show this in the account books of government ministries and, finally, corruption involving payment of personal advances to senior bureaucrats which were never repaid in spite of repeated demands. All these instances of corruption except for a few can be glimpsed from the audit reports submitted by the office of the Auditor General for the Federation. But, regrettably, records are yet to show except for negligible instances, efforts at prosecuting indicted public officers for most of these corrupt acts. However, a few of the cases of corrupt practices through which huge leakages were brought on public finance and the budget are shown below:

First, corrupt practices came in the form of loss of cash and stores to the government. For example and as shown in Table 4.0 below, between 1954 and 1972 the cumulative losses incurred in cash and stores due partly to fraudulent conversion or irrecoverable loans advances and direct theft from public treasury via expenditure or vote heads across virtually all ministries and departments of government amounted to £655,702, 6s 3d (about ₦1,310,000) representing an average yearly loss of about £36,427 (about ₦72,800) from 1954 to 1972.

Table 4.0: Loss of Cash and Stores, 1954-1972

Financial Year	Amount		
	£	s	d
1954-1955	10,335	14	7
1955-1956	24,801	7	3
1956-1957	53,131	1	3
1957-1958	65,209	2	7
1958-1959	46,548	9	0
1959-1960	8,548	9	0*
1960-1961	35,320	0	0*
1961-1962	53,671	0	0*
1962-1963	36,135	0	0*
1963-1964	33,688	0	0*
1964-1965	17,871	1	9
1965-1966	67,697	13	2
1966-1967	31,719	9	11
1967-1968	4,449	6	5
1968-1969	52,562	7	5
1969-1970	38,391	16	0
1970-1971	42,351	12	6
1971-1972	32,959	10	6
Total	**655,702**	**6**	**3**

Source: *Report of the Accountant-General of the Federation together with Financial Statement,* various years NAI/AR.5/AF4. *figures based only on Auditor General's Reports for the years.

Again, on the row of instances of corrupt practices in the handling of government finances and budget shown above is "over-padding" of figures or inflation of expenditure figures. This dimension of corruption in Nigeria appears from evidence to be a feature predominant from 1973/74 to 2015 and not before. Evidence of receipts of revenue by the CBN shows that fiscal year 1973/74 marked the ascendancy of petroleum 'oil wealth' for the country (FOS, 1996: 33-34, Omolehinwa, 2001: 85-86).

The revenue stream of the country was so buoyant that she suffered from what one can rightly call 'absorptive incapacity' and a deluge of funds that could not find immediate expenditure outlet. The resultant effect was the build-up of a culture of over-invoicing, over-padding of figures and inflation of contract costs especially by contractors in connivance with senior bureaucrats since afterall, the government had abundant liquidity far in excess of its expenditure outlays. This therefore explains why, inflation of contracts and what Omolehinwa (2001: 98-100) has called "repetitive budgeting" characterised federal government budgets. For example, in the 1970-74 Development Plan, it was provided that the Lagos-Ibadan expressway would cost ₦63,000,000. But, by 1973 when the actual performance of the contract began, it had been unjustifiable reviewed upward to ₦83,000,000. This happened in spite of the significant drop in the rate of inflation from a double digit of 13.8% in 1970 to a single digit of 5.4% in 1973 (FOS, 1996:20).

Table 5.0 below shows other upward reviews of capital budgets for other federal government major projects across the country. The case of the upward review of the contract for the construction of three Nigerian Army barracks is particularly worrisome. The contract for the 1st Infantry Division during 1970-1973 was reviewed upward from about ₦16 million to ₦60,000,000 representing some 375% increase. Those of 2nd Infantry and 3rd Infantry Divisions likewise show a huge inflation and over padding from ₦15.55 million to ₦59 million. Likewise contract for the construction of barracks for the 3rd Infantry Division was inflated from a little over ₦16.95 million to a whopping ₦68 million representing some 299% and 301% rate of increase respectively; all within a 3-year period during which inflation as reflected in Table 6.0 below dropped from 18% to 5.4%.

The increases and civil engineering contract variation would have been fairly justifiable had the rate of inflation risen sharply during the period but this was not so. So, it became very concerning when the Lagos-Ibadan expressway project was reviewed from ₦63 million to ₦83 million, which in fact was the least in terms of over-padding. The over-padding of the contract for the construction of the Bama-Little Gombe Road was the most laughable in outright unreasonableness. The project was reviewed upwards by some 8,508% in 1973 from just ₦200,000 to ₦17,216,760.

Thus, for the six projects enumerated in Table 5.0 below which ought to have cost the government a total sum of ₦115, 692,480, the actual unjustifiable inflated cost was ₦301,216,760 that is, on the average, an upward review of 160.3% across board within just 36 months. It is important to state that in all of these unreasonable over-padding of budgets, including that of the National Theatre Iganmu, Lagos, not a single public enquiry was made nor any sanction levied on culprits. All the projects were anchored and padded during the regime of

General Yakubu Gowon. This was at a time that Brigadier Olusegun Obasanjo (as he then was) was the Federal Commissioner for Public Works.

Table 5.0: Upward review & Padding of contract sums for selected Federal Government Major Projects, 1970 – 1973 (₦)

	Project	Initial cost (1970)	Upward Review (1973)	Percentage Increase
1.	Lagos – Ibadan Expressway	63,000,000	83,000,000	37
2.	National Theatre Complex	3,970,000	14,000,000	250
3.	Bama –Little Gombe Road	200,000	17,216,760	8,508
4.	1st Infantry Div. Barracks	16,017,760	60,000,000	275
5.	2nd Infantry Div. Barracks	15,550,000	59,000,000	299
6.	3rd Infantry Div. Barracks	16,954,720	68,000,000	301
	Total	**115,692,480**	**301,216,760**	**160**

Source: computed by the author from Federal Republic of Nigeria, *Budget Estimates* of 1973/74 pp. 322 – 323 and Federal Republic of Nigeria, *Budget Estimates* of 1975/76, pp. 410 – 444. Lagos: Federal Government Printer.

Table 6.0: Official Exchange and Inflation Rates in Nigeria, 1970 – 2000

Year	Exchange Rate (₦ to $)	Inflation Rate (%)
1970	.714	13.8
1971	.696	15.6
1972	.658	3.2
1973	.658	5.4
1974	.630	13.4
1975	.616	33.9
1976	.626	21.2
1977	.647	15.4
1978	.606	16.6
1979	.596	11.8
1980	.546	9.9
1981	.610	20.9
1982	.673	7.7
1983	.724	23.2
1984	.765	39.6
1985	.894	5.5
1986	2.021	5.4
1987	4.018	10.2
1988	4.537	38.3
1989	7.392	40.9
1990	8.038	7.5
1991	9.910	13.0
1992	17.450	44.5
1993	22.159	57.2
1994	21.996	57.0
1995	21.90	72.8
1996	21.90	29.3
1997	22.0	8.5
1998	22.0	10.0
1999	84.98	6.6
2000	85.00	6.9

Sources: (1.) Central Bank of Nigeria, *Statistical Bulletin*, vol. 11, No. 2, December, 2000, pp. 150, 182, *Federal Office of Statistics* (1996) Socio –Economic Profile of Nigeria, Lagos: FOS; p. 20.

Judging by the submission made by the Nigerian Society of Engineers in 1981, to the Federal Government Contract Review Committee, nowhere in Sub-Saharan and Mediterranean Africa could the cost of the projects contained 5.0 above be so high and in utter disregard of the rate of inflation and foreign exchange (as shown also in Table 6.0 above). It is important to state that in the early 1970s inflation rates were very friendly to contractors. In fact, as shown in Table 6.0 above, it dropped from 13.8% in 1970 to just 5.4% in 1973. The foreign exchange rate too was not terrible as the Naira, a currency that Nigeria changed to from its previous pounds which exchanged for ₦0.7 only dropped not too sharply to ₦0.658 to the US dollar in 1973. The combined effects of a fairly stable exchange rate regime and the lower inflationary rate between 1970 and 1973 could not have warranted an upward review of the costs of those contrasts and certainly not at such a high gradient as is shown in Table 5.0 above. But it did, due to corruption. This leaves anyone in total dilemma as to what local or foreign input variable could have explained the huge upward review.

The excessively high cost of government projects in Nigeria have been a source of concern to concerned Nigerians and some international bodies for a long time. In 1984, Mr. Gamaliel Onosode was at the head of a panel set up by the Federal Government to look into the cost of capital projects in Nigeria. The panel found out that apart from the fact that government paid out as mobilization fees 20% of every contract sum instead of 15%, there was always "a craze to start new projects and award new contracts instead of pursuing on-going ones to conclusion". (Onosode 1984:120). In a memorandum submitted to the Federal Government Contract Review Committee by a team of Nigerian Society of Engineers on comparative cost of civil engineering works in Sub-Saharan and Mediterranean Africa, it was shown that whereas in Kenya and Algeria as at 1979 the costs of building a single carriage road of two (2) lanes per kilometre were: ₦105,553 and ₦149,000 respectively, in Nigeria, the same project cost ₦294,000. Again, whereas a dual carriage road of 4 lanes cost Kenya and Algeria ₦278,961 and ₦597,015 per kilometre, respectively, the same project cost Nigeria between ₦800,000 and ₦1,200,000 in the corresponding period even with the consideration of possible differentials of topography and ecological difficulties (NSE, 1980).

In 1994, a contract awarded to one Dywidag (Nig) Ltd in 1981 for ₦129,158,883 and for which about 50% had been performed was re-awarded to Julius Berger at an unbelievable inflated cost of ₦10 billion (Newswatch 1994: 10 – 14). Also, in the same year, the World Bank Report (1994) raised an alarm at the excessively high cost of constructing an export terminal at Bonny for the second Port Harcourt Refinery which sum awarded was a whopping $340 million. The bank reminded Nigerian authorities that the same project could be done at about a third of the sum (World Bank, 1994).

Several reports of the Auditor General for the federation have shown cases of over-invoicing and inflation of expenditure figures in such a way that huge losses were suffered by the national treasury. The Auditor General's report for the years 1999 and 2000 which was however published in 2003 revealed that the Nigeria Postal Service (NIPOST) authorities, without any document to show a justifiable cause, inflated the contract sum for the construction of NIPOST mail processing centre from ₦44,848,468. 40 to ₦57,826,282.73 (AGFR, 2000:15). Also, in fiscal year 2000 and at the Federal Ministry of Health's headquarters in Abuja, a contract for the supply of two (2) Pentium III 500 MHZ processor was made at an extremely high cost of

₦1,487,000 (Auditor General, 2000:15). It was discovered via market survey conducted by the Auditor General's Office that the cost of the two machines, after providing for 40% profit margin for the supplier, should have been ₦750,000 (Auditor General, 2000:15). Again, in the same report, for a five-day AIDS summit in Abuja, the Federal Ministry of Health spent ₦19,732,870.00 for local transportation (by road) for just 20 delegates and paid to a travel agency in Abuja a consultancy fee of ₦1,837,500 for Jos-Abuja return journey of the same delegates (a distance of not more than 300 kilometres) (Auditor's General, 2000:15).

At the Federal Ministry of Communications in 2001, a contract for the supply of some library equipment was inflated by over one million naira (Auditor Report 2001: 42). The contract which was awarded at the cost of ₦1,897,896 was found after a diligent market survey by the Auditor General's office and having provided for a 40% profit margin to be worth not more than ₦883,400.00. Furthermore, in accepting the recommendations of the Honourable Justice Obiora Nwazota (Rtd.) Judicial Commission of Inquiry into the financial affairs of Nigeria Airways Limited (NAL) between 1983 and 1999, a former managing director of the company was severally found to have caused numerous inflation of NAL contracts which caused the company millions of dollars in losses (The Punch, (Nov. 3), 2003: 44-46, 68-69). This contributed in no small way to the ruination and liquidation of NAL.

In February 2004, a presidential jet, due to old age and for the fact that the noise level of the aircraft was no longer acceptable in European air space, was to be changed and a new one bought. A Boeing Business Jet (BBJ) was proposed and the Presidency submitted a purchase bill of $80 million. Due to delays in approval by the Senate, Colombia, only two months after, in April 2004, bought the same BBJ for its President for the sum of $35 million showing a huge variance (by way of over padding) of some $45 million! (The Punch (April 10), 2004:.9). In other words, had the Senate not delayed in approval, the country would have suffered yet another instance of huge losses occasioned by an inflated cost of purchase. No better way can be shown of how corruption frustrated the objectives of budgetary prudence and accountability in Nigeria.

The cumulative effect of these over-invoicing and inflation of expenditure figures is that the public treasury is grossly depleted and resources which ought to have gone into creating wealth and ensuring full employment are wasted through rapacious accumulation by a few rulers who have converted the budget process and its content into personal estate. This explains the huge wealth which the so-called rulers parade and hide abroad in foreign bank accounts which, with the increasing sophistry in information technology can hardly be completely hidden from the public eye.

There were also cases of corruption through the conversion of public property to private ends. Cases of conversion leading to huge losses of revenue which have affected adversely budgetary revenue estimates were most prevalent in the Nigerian National Petroleum Corporation (NNPC). Cases of conversion came in form of theft of crude oil directly from their storage barges and jetty. For example, the Economic and Financial Crimes Commission (EFCC) complained in September 2003 (The Punch (8 Sept.) 2003:1, 7) that no less than 200,000 barrels of crude oil, which accounted for about 10% of the 2.2 million barrels of crude oil exported daily by the country were stolen daily by those the commission referred to as "ex-Generals".

The EFCC did not show for how long this had been on. But, a pointer to the fact that such criminal conversion was not a recent phenomenon could be glimpsed from the report and discovery of the Revenue Mobilization, Allocation and Fiscal Commission (RMAFC 2002:3, The Punch (25 November) 2002:3) which was made late in the year 2000. The RMAFC in that year set up a Verification Team to investigate the activities of the NNPC foreign joint partners and those of the Department of Petroleum Resources (DPR) in the upstream sector of the Nigerian oil industry. On a surprise check, the team discovered twenty (20) oil wells with production capacity of 30,000 barrels per day being operated secretly and illegally. Records of the location and how long the wells had been operated were completely absent from the NNPC and DPR's records. In others words, revenues from these wells, which ought to have been paid into the Federation Account or the Consolidated Revenue Fund were not so paid in total disregard of section 80(1) of the 1999 Constitution. It is therefore safe to conclude that the 30,000 barrels from the aforesaid wells were fraudulently converted by their operators. This fraudulent conversion partly explains the huge loss in public revenue from the oil industry which has been the jugular of Nigerian public finance and budget since 1974.

Again, between 1985 and 1993 the General Sani Abacha's government set up the Abisoye Panel to probe the activities, including receipts and expenditure of the NNPC. The report of the Panel indicted the corporation for gross financial misconduct bordering on direct theft of public property. The panel had, through its chairman, made the following remarks:
NNPC does not respect its own plans. The unwritten code in NNPC's style of management would appear to be "everyone to himself and God for us all". Make hay while the sun shines and loot all the lootables (sic). (Newswatch (21 October) 1994: 10-11).

Chief Abisoye's remarks could not have been flippant, for, even in another report submitted in 1994 by the Okigbo Panel which probed the activities of the Central Bank of Nigeria (CBN), the profligacy of the corporation as alleged by Chief Abisoye's panel was corroborated with substantial evidence. Chief Okigbo, while submitting the report of the panel which he headed and which was given the responsibly of investigating the activities of the CBN between 1988 and 30th June 1994 revealed that the sum of $12.4 billion revenue which accrued to the Federation Account and which, by virtue of existing laws ought to have been paid into the Federation Account was not so paid. Rather, it was remitted to a so-called "dedicated account" at the instance of the then military President - General Ibrahim Babangida - in collaboration with the Governor of the CBN, Abdulkadir Ahmed (1982-1993) thus by-passing the Accountant General of the Federation whose duty it was to see to the appropriate disbursement of such money. (Newswatch (24 October) 1994: 32-33). Because of the especially revealing findings of the Okigbo Panel which probed the activities of the CBN, it is pertinent to show in a little detail here, some of the evidences of corruption which it unearthed.

In 1988, the opening and operation of a dedication account was authorized by the Armed Forces Ruling Council (AFRC), the then highest decision-making body of the military government of General Babangida. This was without any enabling law and certainly in contradiction of extant legislations on the management of federal government's finances. A total of 65,000 barrels out of the estimated 2 million barrels of daily export of crude oil was to be set aside for this account. The proceeds from dedicated 65,000 barrels of crude oil were to be paid per day into the "Dedication Account". The proceeds were to be committed to what the Head of State designated as "priority projects", viz: Ajaokuta Iron and Steel Company, Itakpe Iron Mining, the Shiroro Hydro-Electric Power projects, the debt-buy-back arrangement programme of the federal government, the Liquefied Natural Gas Project (NLG) at Bonny Island and NNPC Joint Venture Cash Calls (JVCC). In 1989 the dedicated 65,000 barrels was increased to 105,000 per day and in 1994 to 150,000 barrels per day. This represented approximately between 5% and 7% of Nigeria's daily export of crude oil going by the approved OPEC quota of about 2.2 million barrels per day.

However, the proceeds of the account and expenditure connected thereto were completely excluded from the annual national budget between 1988 and 1994. In fact, it was not until the submission of the Prof. Dotun Phillips Report in year 2000 that the government heeded the direct appeal to discontinue the operation of this account (Ogunyemi, 2012). During its operation, the account contributed in no small way to overheating of the liquidity problem of the country and in creating avenues for extra- budgetary expenditure. However, it is noteworthy that majority of the disbursements from the account "were carefully documented and duly authorised by the President" (Okigbo Report, 1994: 0.39).

This notwithstanding, what the Okigbo Panel found reprehensible was the manner and character of disbursement proceeds into and disbursement from the accounts were not part of the national budget. This meant that a huge gap in resource accounting of the federation was created (Okigbo Report, 1994: 0.39. Apart from the fact that the accounts were committed to "many large projects of doubtful viability and many more of clearly misplaced priority" (Okigbo Report 1994: 7.148), […t]he (dedicated) account was kept outside of the consolidated revenue account so that apart from a few members of the government, no one else has any information on the size of the account or of the size and manner of the disbursements. It represents, in reality, a second undisclosed budget operated only by the President and Governor of the Central Bank" (Okigbo Report, 1994: 7.123).

Again, there was no particular enabling law or financial regulation, which just as it is customary in any prudent organisation, showed the manner of disbursement and authorization of expenditure. The panel searched in vain for this. It confessed that it "was unable to trace any document in which the President directed the manner in which the account was to be operated. However, it was revealed by the report that the Governor of the CBN managed the dedicated and other special accounts "not only as fund manager and banker, but also as an initiator of the timing of payments and, in very substantial manner, the beneficiary of these payments" (Okigbo Report 1994: 7.145). This cast serious credibility doubt on the whole process since this worked against the principle of the due process in managing the accounts of the federal government and did not leave anyone in doubt that the manner in which the funds in those accounts were managed left much room for corruption.

The committee found it "inexplicable" going by the huge accruals into the accounts in the face of equally huge external debt burden and very poor external reserves situation that the Governor of the CBN did not even for once seek approval "to utilise these resources for the build-up of external reserves . . . in the light of the deterioration in the external reserve position which as at the time of this report, offers less than five weeks import cover" (Okigbo Report, 1994:7.145). Instead, the Report notes, the Governor received approval for "expenses that could not in any way be described as priority" (Okigbo Report, 1994:7.148). The Report listed some of the items of expenditure, shown in Table 7.0 below, which it considered not to be within the definition of "priority" projects to which huge amounts of money were committed:

Table 7.0: Selected Items Financed from the Dedication Account, 1988-1994.

S/N	Items	(₦' Million)
1.	Purchase of TV/Video for the presidency	18.30
2.	Travels of the First Lady	0.99
3.	T.V. Equipment for Ahmadu Bello University	17.90
4.	Staff welfare at Dodan Barracks / Aso Villa	23.98
5.	Ceremonial uniform for the Army	3.85
6.	Aso Villa Medial Clinic	27.25
7.	Gifts for the Republic of Liberia	1.0
8.	Gifts for the Republic of Ghana	0.5
9.	Nigerian Embassy: Riyadh	14.99
10.	Nigerian Embassy: London	18.12
11.	Nigerian Embassy: Tehran	2.76
12.	Nigerian Embassy: Niamey	3.80
13.	Nigerian Embassy: Israel	13.07
14.	Nigerian Embassy: Pakistan	3.80
15.	Ministry of Defence	323.35
16.	Security	59.72
17.	Defence Attaché	25.49
18.	General Headquarters (GHQ)	1.04

Source: *Okigbo Report*,1994: Paragraph 7.148.

A cursory look at the list of items funded from the dedication account shown in Table 7.0 above clearly shows that they were far from being in the category of "priority projects" as purportedly envisaged in the original intendment of the account. Thus, it is not difficult to see the probable justification in the Okigbo Committee Report when it remarked that:

Neither the Dedication Account nor the Stabilization Account was applied for the purposes it was originally designed to serve. Thus, the Dedication Account was used for many non-priority projects and the Stabilization Account was not in practice, used to sterilize revenues in excess of projected earnings…the monies (sic) in the accounts were spent virtually as fast as they accumulated.

What the Okigbo Report in essence reflects to the Nigerian public is the utter failure of accountability in the handling of the finances of the country. It raised a serious case of lack of the due process in resource allocation and queries the integrity of Nigeria's rulers in the management of such a significant portion of the country's resources which could have gone a long way in liquidating at least a third of the country's external debt. In sum, the Report (Okigbo Report 1994: 7.152) found the following five inappropriate acts in the operation of the Dedicated and Stabilisation Accounts not only to be far from being in accordance with prudent management principles but also, utterly injurious to the principles of good governance and the due process of financial accounting. The acts, which are contained in the seventh paragraph of the report, are quoted here *in extenso*:

a. "Several payments indicated in the reconciliation statements had not been backed by the President's approval. On the other hand, there were some approvals for which no equivalent payments had been listed".
b. "In many cases there had been very long delays between the time payments were effected to relevant contractors/firms/suppliers and the time of request for or receipt of ex-post presidential approval".
c. "In a number of cases, there were significant variations between the amounts approved for payments and the actual disbursements made without any further explanations from the documents supplied".
d. "In a large number of cases, there were no indications in the letters written to the Head of State seeking approval to make payments or seeking ex-post approval as to which particular account was to be debited" and
e. "The Central Bank was never able to establish that payments on behalf of the Ministry of Defence and the National Intelligence Agency were based on transactions. This was because the relevant documents were never made available to the Bank as such documents were regarded as classified items" (Okigbo Report 1994: 7.152).

On the strength of these discoveries by the Okigbo Panel, this paper considers it reasonably beyond dispute to tentatively conclude that the federal government was not very accountable in handling the resources of the country between 1988 and 1994 and that this lack of accountability affected very adversely the budgetary purposes in the corresponding period and cast a dark shadow on the managerial integrity of all those involved.

Meanwhile, it was not only at the federal level that corrupt practices were rife. The same could be found at the state level at least during the military regime of General Gowon (1966 – 1977) and the civilian regime of President Shehu Shagari (1979-1983). Although, it is not the exact intention of this paper to include within its foci the management of public resources at the state level, yet, it is important to cite some of the instances at that level which bore tangential relationships to the management of public resources at the centre. For instance, during military regimes of General Gowon, Military Governors/Administrators were appointed by the federal government and posted to govern the states with fiat. Hence, it is reasonable to associate their deeds/misdeeds with the federal government. It is in this light that this paper considers the Report of the Pedro–Martin's Corrupt Practices Investigation Bureau (CPIB) set up in September 1975 by the General Murtala Muhammed Government to probe the assets of the 12 Military Governors of the States of Nigeria, as very relevant here.

The Pedro-Martins' CPIB found that but for two of the twelve military governors investigated, all of them corruptly enriched themselves by corruptly converting public property and assets which cumulative value was put at ₦100 million Naira in 1976. This was contrary to the code of conduct for public officers then. As a result of this, the federal government, early in1977, took the decisive legislative step of promulgating the Public Officers (Forfeiture of Assets) Order, 1977 (LN 13, 1977) and the Public Officers (Forfeiture of Assets) Order, 1978 (LN 33, 1978). By these decrees the corruptly acquired moneys and other fixed assets were seized from the governors. In fact, apart from Brigadiers Mobolaji Johnson and David Jemibewon, Governors of

Lagos and the Western States respectively, who were found not guilty of corruption by the Panel, all other military governors forfeited their corruptly acquired assets to the federal government.

It is noteworthy for example that Brigadier Ogbemudia (Mid-Western State) was found to have acquired by direct theft, the money meant for the building projects of the University of Benin and "the other resources of the Mid-Western State Government". It was found that he corruptly converted to his private use, these assets. It was also found that he corruptly acquired one Palm Royal Hotel and five private farm estates (Pedro Report, 1975: para 52). In the same vein Brig. Musa Usman, (North-Eastern State) (Pedro Report, 1975: para 30), Brig. Abba Kyari (North-Central State) (Pedro Report, 1975: para 94), Commissioner of Police Audu Bako (Kano State) (Pedro Report, 1975: paras 57-58), Commissioner of Police Joseph Gomwalk (Benue-Plateau State) (Pedro Report, 1975: paras 71-72), Assistant Commissioner of Police Usman Faruk (North-Western State) (Pedro Report, 1975: para 120), Brigadier Udo Esuene (South Eastern State) (Pedro Report, 1975: paras 115-116), Navy Commander Diete Spiff (Rivers State) (Pedro Report, 1975: para 75), Col David Bamigboye (Kwara State) (Pedro Report, 1975: paras 99-100) and Mr. Anthony Ukpabi Asika (East Central State) (Pedro Report, 1975: paras 65-67) were all found to have abused their offices through fraudulent conversion of government assets and/ or direst theft of public assets.

The rapacious disposition of the erstwhile Military Governors including a civilian administrator, except Brigadiers Mobolaji Johnson and David Jemibewon were found condemnable. The then Head of the Federal Military Government, General Murtala Muhammed, did not mince words in pouring venom on what, he condemned as reprehensible acts. He said in his 3rd February 1976 broadcast:

Suffice it to say that all the ex-governors and the former administrator of East-Central State, with the exception of two, were found to have grossly abused their office and guilty of several irregular practices…they had betrayed the trust and confidence reposed in them by the nation. Those of them who wore uniforms betrayed the ethics of their professions and they are a disgrace to those professions…they are therefore, all dismissed with ignominy and with immediate effect… (Daily Times 4 Feb. 1976: 3).

The implication of the action of the Head of State in 1976 on governance was that the federal government, at least, between the 1966 coup d'état up to 1976, acknowledged for once, its joint responsibility in bringing about poor and unaccountable governance at the state level and therefore followed the path of honour by insisting that the anomaly be corrected and indicted officers punished. This move in the second half of the 1970s succeeded in instilling the spirit and principle of the due process in the conduct of state affairs, at least, in so far as financial management was concerned. However, this desirable step was not followed in subsequent years.

Meanwhile, in 1994, following the military takeover of the government of the federation in November of the previous year, General Sani Abacha, the Head of State appointed acting Military Administrators to oversee the affairs of the States of the federation for a few months. Among these appointed were Colonels L.A. Olorogun, (Sokoto), D.N. Nimyel (Borno), E.O. Coker (Kano) and A.F.K. Akale (Osun). Also were Commissioner of Police Ahonkhai (Akwa Ibom) and Commissioner of Police M. Ali (Yobe). The financial activities of these six military administrators became a subject of scrutiny by the Brig. Gen. Oladayo Popoola's probe panel set up to look into those activities. Just like the Pedro-Martins Assets Investigation Panel of 1975, the Popoola Panel found that all the acting military administrators, except that of Osun State (Akale) "succumbed to the pressure of contractors and other interest groups" to embark upon highly prodigious expenditure in an utterly reprehensible fashion (Newswatch 31 Jan, 1994:11). In fact, the Panel found that the administrators gave anticipatory approvals for contracts for unascertained works.

The panel remarked that in respect of these anticipatory approvals "we are absolutely convinced that gratification and external pressures were the motivation that led the acting administrators in Sokoto, Kano, Yobe, Borno and Akwa Ibom states to pay contractors (Newswatch 31 Jan, 1994:12). These corrupt acts were made possible first by the nature of military administration, which subtracts from accountability and transparency and in the view of the Panel because the acting Administrators 'side lined' their respective budget and planning departments in the consideration and supervision of expenditures' (Newswatch 31, Jan., 1994: 14).

Conclusion

Budgeting is critical to development but when it is poorly managed it may result in a most calamitous financial problem of any organization. Nigeria poorly managed her budgets in most of the years after her independence. She allocated too little to wealth creation through the capital budget, overspent her revenues by billions of naira, over-indulged the public sector in direct participation in business and accumulated too huge a debt burden that she could not manage. The combined result of this was an utter diminution in infrastructural base and almost a complete breakdown in the capacity of the country to deploy her finances in the service of the interest of the largest numbers of its citizens. The solution in the next decade lies in a very radical departure from incremental budgeting, a drastic reduction in the size of government and a multi-year budgeting system that would reduce the burden of bureaucratic control over public finances and transfer more resources to capital development.

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