

GOOD BUDGETING AND GOOD GOVERNANCE: A COMPARATIVE DISCOURSE

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Abstract

The observed budgetary abuses including lack of transparency, poor accountability and budget indiscipline have called to question the rationale of budgeting in government and whether there is any significant positive relationship between good governance and public budgeting. The objective of this paper is to attempt to clear this doubt by an exploration of literature in the subject and specifically comparing the nature and features of good budgeting with good governance. From the conceptual and theoretical basis, it is clear that budget management is not just a technocratic phenomenon but also a political process. Thus, the quality of a government can be x-rayed from the quality of its budgetary process. It is therefore recommended that strict adherence to budgetary rules should not be compromised especially as it relates to discipline, transparency and accountability in the budgetary process as this will enhance good governance and deliver value to a large majority of Nigerians. However, this research discovered the crisis of development in Nigeria to be the absence of these socio eco-political virtues. Thus, a recommendation is made for the need to embrace these virtues in order to see our country come out of the doldrums of underdevelopment.

Keywords: good budgeting, good governance, transparency, accountability, discipline

INTRODUCTION

Throughout the world, the processes for determining how to raise, allocate and spend public resources constitute one of the foundations of government (Overseas Development Institute, 2004). These processes can be summarised as budgeting, implying that budgeting is one of the principal functions of government. In fact, it is adjudged the single most important function of government (Organisation for Economic Cooperation and Development (OECD), (2002); National Democratic Institute (NDI), 2003). This assertion is supported by the

conceptual consideration of budgeting as one of the most rational and acceptable means through which governments allocate resources to provide the goods and services needed to improve the well-being of people (Osanyintuyi, 2007). In other words, budget provides the instrument and basis for resource mobilisation and allocation to government strategic areas and national priorities in order to meet macroeconomic objectives (Omolehinwa, 2001; Olomola, 2006). It is the extent to which these objectives are achieved that provides the opportunity to make the citizens of a community better off.

Unfortunately, the budgetary process in Nigeria is said to be fraught with imperfections and abuses. Such abuses manifest in the forms of unsustainable and unjustifiable extra budgetary expenditure actuated by obvious disregards to budgetary rules and procedures, lack of budget integrity, budget indiscipline among others (Aruwa, 2004; Olomola, 2006; Olaoye, 2010). These observed budgetary abuses including lack of transparency, poor accountability and budget indiscipline have called to question the rationale of budgeting in government and whether there is any significant positive relationship between good governance and public budgeting.

THE NATURE AND FEATURES OF GOOD BUDGETING

A budget can be generally considered as a formal expression of plans, goals, and objectives of an organisation that covers all aspects of operations for a designated time period (Jatau, 2008). A public budget in particular, is a forecast of governmental expenditures and revenues for the ensuing fiscal year which may or may not correspond to the calendar year and also reflects the policy of the government towards the economy (Hogye, 2002). The budget is so fundamental that it is describe as the single most important document of the government in any fiscal year. This is because, budget management enforces fiscal discipline, fosters macroeconomic stability, improves the portfolio of programmes by rewarding effective and efficient programmes as well as builds a culture of performance and accountability within the government bureaucracy (Pascua, 2005).

According to Neely, Bourne and Adams (2003) for a budget to be effective, the budget must first be aligned with the organisation's strategies and must be value based. This view presupposes that a budget is a strategic document that is intended upon implementation to add value to the organisation or the community as a whole. In a related view, Allen (2004) while crafting budgeting's future agenda for Senior Budget Officers (SBO) of EOCED countries define good budgeting in terms of the following criteria:

- The budget should establish a stable, sustainable fiscal position for the medium term and beyond.
- The budget should facilitate the shift of resources to more effective, higher priority uses.

- The budget should encourage spending units to operate efficiently.
- The budget should be accessible to citizens and responsive to their interests.
- The budget (in tandem with other financial management practices) should assure accountability in the expenditure of public money. (Allen, 2004:94)

The above criteria are consistent with the submission of Olomola (2006) who identified discipline, efficiency and effectiveness as major characteristics of sound budgeting. Similarly, HM Treasury, (2008) while enacting the third budgeting principles of the European Union (EU) emphasizes budget discipline among others as the key ingredient of sound financial management. Other attributes of good budgeting highlighted include; the highest standard of financial control, independent audit and greater focus on delivery of outcomes in programme design and evaluation.

From the forgoing, it can be summarised that good budgeting is characterised by efficiency, effectiveness, integrity, discipline, accessibility or transparency and accountability as well as stability. These attributes of sound budgeting will be discussed in turn.

Budget Efficiency: Efficiency in the management of resources is very crucial whether it is individual, organisation or in government. It connotes the extent to which inputs are minimised and outputs maximised or simply, the relationship between inputs and outputs (Ulrike. Adriaan and Fabienne. 2008). In the opinion of Farrell (1957) as cited in Ulrike. Adriaan and Fabienne. (2008), an organisation can increase her output by simply increasing her efficiency without necessarily increasing her inputs. According to this thinking, efficiency is fundamentally the difference between inputs and outputs. Although it had been acknowledged that the measurement of efficiency had remained a conceptual challenge, the input-output ratio is the most basic measure of efficiency. In other words, the greater the output for a given input or the lower the input for a given output the more efficient the activity is said to be (Ulrike. Adriaan and fabienne. 2008).

In an efficient budgetary system, the economy should not be thrown into debt or unfavourable balance of payment because of the desire to achieve budgetary objectives.

Budget Effectiveness: Effectiveness is simply the extent to which objectives are achieved (Weilhrich & Koontz, 2003). It relates the input/output to the final objectives to be achieved: i.e. the outcome (Ulrike. Adriaan and Fabienne. 2008). The outcome is often linked to welfare or growth objectives and therefore may be influenced by multiple factors including outputs and other environmental factors. Effectiveness is more difficult to assess than efficiency, since the outcome is influenced by political choices. The distinction between output and outcome is often blurred; hence, they are often used in an interchangeable manner, even if the

importance of the distinction between both concepts is recognised. In a stricter sense, effectiveness shows the success of the resources used in achieving the objectives set.

With respect to federal budgeting, it means the extent to which budgetary allocation is in congruence with national cum citizen's priorities and the extent to which those priorities are achieved. According to Osanyintuyi (2007) the ultimate goal of budgeting is to improve the lives of the people. To that extent, if a budget does not lead to improvement in the lives of the people it does not qualify as being effective. It is in this light that each annual budget in most cases is anchored on a pre-conceived objective. In Nigeria for instance, infrastructural facilities, jobs creation and poverty alleviation are central objectives of the annual budget as exemplified in the themes of the 2005, 2006, 2007 and 2011 budgets (Obasanjo, 2004, 2005, 2006; Jonathan, 2010).

DISCIPLINE

Budget discipline connotes the extent to which an institution or nation stays within the budget or better still the ability of a government to confine itself to the limit of expenditure in the approved budget or supplementary budget (Aruwa, 2004). It is measured as the ratio of budgetary expenditure to actual expenditure, as different from fiscal discipline which is the ratio of budget deficit to the Gross Domestic Product (GDP). According to Oshisami, (1992) and Omolehinwa, (2001) they are three principal areas or dimensions of budget discipline. These include; adherence to stated budgeting policies without wavering; adherence to budget calendar in the development, approval, implementation and monitoring as well as adherence to approved estimates in the appropriation act. These three levels of discipline (summarised as policy discipline, timing discipline and numerical discipline) are crucial for the effective working of the budget, as a breach in any level constitutes indiscipline. Indiscipline in the management of resources is iniquitous to the economic progress of any nation (Ben-Caleb and Agbude, 2011). A budget deficit for instance (especially unplanned deficit) is a manifestation of budget indiscipline, and have been found to have a strong positive association with corruption (Kaufman, 2010). This implies that the more disciplined a nation is the less the tendencies to be corrupt. In other words, budget discipline is one of the antidote of corruption.

TRANSPARENCY

The term transparency has several connotations; one formal definition of the term is given by Gortner, Nicholas & Ball (2007). They considered transparency as a visible decision making process that is opened to public input, allows the public maximal choice, and is conducted in cooperation with organisations working together for common public purposes. It connotes an attribute of being 'able to be seen through, clear, pellucid; pervious to rays; easily detected, understood; obvious, evident; ingenuous, frank; shining through'. In fact,

“what isn’t transparent is assumed to be biased, corrupt, or incompetent until proved otherwise” (Smith, nd). According to IMF Fiscal Transparency Code 1998, transparency has four general principles namely; Clarity of Roles and Responsibilities; Public Availability of Information; Open Budget Preparation, Execution and Reporting and Independent Assurances of Integrity (Petrie, 1999). The real essence of transparency in governance is to ensure accountability as that is the underlying assumption of the fiscal transparency code which is stated thus;

Effective transparency will, over time, result in greater accountability, and Greater accountability will, over time, result in fiscal policies that are in general both more equitable and more efficient, and in particular involve less corruption (Petrie, 1999)

Similarly, Adegite (2009) boldly asserted that where there is no accounting, there cannot be accountability and where there is no accountability, development will inevitably be stunted.

Accountability: The requirement to perform duties, including financial and operational responsibilities, in a manner that complies with legislation, policies, objectives and expected standards of conduct is accountability. It is the ability or the obligation to answer or account for one’s responsibility. According to the Auditor General of Canada (1972:2) as cited in Omolehinwa (2012:22) “accountability is the obligation to answer for the execution of one’s assigned responsibilities”. Accountability is realised when the decision makers become responsible for their actions (Jobe, Kadewere and Rutayisire, 2008). In relation to public budgeting, accountability demands that the budget holder gives a vivid account of how budgetary allocation were utilised. It is advocated that one of the ways to foster budget accountability is by monitoring both inputs and outputs (Jobe, Kadewere and Rutayisire, 2008). That means actual spending must be tracked and compared with the budget and goods and services purchased must be in line with spending plans. These are done to ensure that the intended objectives budgets are achieved. Accountability also entails the fact that if public resources are misused by service providers, there must be mechanisms for recovering them from those who made such decisions.

From the foregoing, good budgeting requires sound institutions governing the allocation of funds, budget execution system that operate within the rule of law, accounting systems that have integrity and audit systems that provide assurance on the quality of financial information and systems (Folscher, 2010). That implies that for a budget to describe as ‘good’ the process must be efficient, effective and transparent with high sense and discipline and accountability. These attributes ensures that public funds and financial assets and liabilities are managed in the interest of a nation’s welfare goal, which is invariably the goal of good governance.

GOVERNANCE AND GOOD GOVERNANCE

Governance has been interpreted in diverse ways to accommodate different aspects of social-eco political organizational frameworks. That explains why Pierre and Peters (2000:7) opine that governance is a notoriously slippery concept, frequently used by social scientists and practitioners without a concise definition. Though the concept, governance, is not new, but its popular usage in social organization is quite recent. However, Adejumo (2004) notes that the range of definitions that have surfaced on governance can be subsumed into two broad categories.

The first category conceives governance in terms of the state and its institutions. Under this category, concepts such as public accountability, transparency, efficient management of public sectors and etc are discussed. Under this category, Corkery (1999) opines that “the changed role of government and the changed environment in which it has to discharge its role have brought governance into common usage as a process for which the word ‘government’ is no longer sufficient”. This implies that the activities of government are now examined in order to ascertain whether it (government) is accountable to the people, whether it is transparent in the pursuits of its day to day activities and whether the resources of the state are judiciously allocated and managed. Therefore, it is not sufficiently to have government. The government must embrace true form of governance that implies accountability, transparency, efficiency and etc.

The second category construes governance from a wider perspective beyond the state and its institutions conception to incorporate non state actors as partners and critical players. The United Nations Development Programme (UNDP) definition of governance seems to capture the ideological framework of this second category. It holds that governance is the exercise of economic, political and administrative authority to manage a country’s affairs at all levels. It comprises the mechanism, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences. It encompasses the political, economic, legal, judicial, social and administrative authority and therefore includes; government, the private sector and the civil society” (UNDP, 1997:9).

Good governance is a proper application of the ideals (accountability, efficiency, transparency etc.) of governance. Agbude (2011) conceives good governance, as it relates to government, as a product of non-violation of the peoples’ fundamental rights, equitable distribution of social goods, decentralized power-sharing, enthronement of rule of law, proper management of public treasury and etc.

Good governance could be better understood when contrasted with Bad governance. The World Bank (2001, 2006 quoted in Agbude and Yartey, 2012) aptly highlight the major characteristics of Bad Governance to comprise of: failure to properly distinguish between what is private, leading to private appropriation of otherwise public resources; inability to establish a predictable framework for law

and government behavior in a manner conducive to development or arbitrariness in the application of laws and rules; excessive rules, regulations, licensing requirements and so forth, which impede the functioning of markets and encourage rent – seeking; priorities that are inconsistent with development, thereby resulting in misallocation of national resources; and an exceedingly narrow base for, or non-transparent, decision-making. Good Governance, therefore, connotes efficacious and operative public administration, good decision-making and the adequate management and control of the nation's resources (Agbude and Yartey, 2012). It is the absence of good governance that is responsible for misappropriation of national and private treasuries by those who were put in the position of power.

It is important to note that good budgeting shares the same features with good governance. Thus, analyzing the features of good governance again will amount to a mere tautology. Good governance entails accountability and transparency in the allocation of both social goods and social burdens. It entails the welfare of the generality of the people rather than the welfare of a particular sector of the society or organization. Good governance considers all (larger segment) while bad governance promotes the welfare of less number of people.

More so, effectiveness and efficiency are component of good governance. In this regard, good governance means those processes and institutions produce results that meet the needs of society while making the best use of resources at their disposal. The concept of efficiency in the context of good governance also covers the sustainable use of natural resources and the protection of the environment (Sehinde, 2010).

CONCLUSION

Good Governance for Good Budgeting

Obviously, there is a connection between good governance and good budgeting. If politics is defined as “Who gets What, When, and How?” (Lasswell, 1936), then budgeting is an integral part of politics or governance because the process of allocating resources is imbedded in this popular definition by Harold Lasswell. There can be no good budgeting without good governance because good governance is a ground to achieving good budgeting. Better still, a sound budget management enhances the quality of governance. Thus, if a government claims to embrace good governance, the process of budgeting will reveal the true nature of such government. For instance, the major attributes of good budgeting discussed in this paper namely; effectiveness, efficiency, transparency, accountability and discipline are also ingredients of good governance, which if demonstrated can enhance value to the citizen (United Nations, 2007; Kaufman and Kraay, 2008). Although, this view is contested by Andrew (2008) who posits that the concept of good governance means different things in different countries, yet the link between budget and governance cannot be ignored. The budget allocation of a government must incorporate key sectors that will enhance the well-being of the citizens rather

than concentrating resources in areas that will only benefit the political leaders-the three arms of government (Executive, Legislature and Judiciary). As Aristotle (1962) argues that the state exists primarily to cater for the happiness (well-being) of its citizens, budgeting is one of the mediums the state uses in empowering its people to actualize their potentials.

The Nigerian experience shows the lack of transparency, accountability and discipline. The absence of all these virtues that span across good budgeting and good governance explains the reason behind the perennial crisis of development in the country. The status of underdevelopment in the country is indeed alarming despite the fact that Nigeria is reputed to range between the 6th and the 8th largest oil producing countries in the world. How best can this crisis of development be resolved in this country? The prognosis or solution to the ailment of the country, and any under developing country at all, is the enforcement of good budgeting which is only realizable within the spectrum of good governance. If the interrelatedness of these two concepts is embraced in our socio-eco political ambiance, the country will begin an upward gravitation towards an enviable society whose primary purpose is meeting the needs and the aspirations of its people.

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