

# THE BUDGET



## What is the Budget?

The government budget is a very important tool of economic management and promoting growth and development. A national budgetary proposal is usually made for the year succeeding each fiscal year. The proposal comprises the financial allocations (recurrent and capital) to all projects and activities of the Ministries, Agencies and Parastatals of government.

“The President shall cause to be prepared and laid before each House of the National Assembly at any time in each financial year estimates of the revenues and expenditure of the Federation for the next following financial year”

*Section 81 of the Constitution of the Federal Republic of Nigeria, 1999*

## Revenue:

Government revenue can simply be described as the amount of money that government makes within a fiscal year which is January 1 – December 31. The Federal Government raises revenue through three main sources which are: oil and gas revenue to the Federation Account, Tax and Duty (customs duty, company income tax, and value added tax) and other revenue from companies maintained by Government (CBN, 2015).

## Expenditure

Government expenditure can simply be described as the amount of money that the government spends from January 1 to December 31. This can be categorized into three groups namely: statutory transfers, debt service and MDA expenditure (CBN, 2015).

## The Legal and Regulatory Framework

There are a set of laws and regulations, at different levels of hierarchy, for the budget preparation process. At the apex, there is the 1999 Constitution (as amended), in particular, Sections 59, 80-82 and the Second Schedule, Parts I and II. The Finance (Control and Management) Act CAP F26 2004 and The Fiscal Responsibility Act (FRA) 2007 complement the Constitution at the level of legislation.

At the regulatory level, there are the Financial Regulations 2009 and Budget Call Circular, which is issued annually. The laws and regulations provide adequately for a Consolidated Revenue Fund, budget classification, multi-year perspective in fiscal planning, public access to published information, coverage of both revenue and expenditure, all MDAs and all items of expenditure.

## Powers of the Legislature in Relation to Finance & Public Expenditure

- The legal framework for passage of money Bills at the Federal level is governed mainly by sections 59, 80 and 81 of the Constitution as well as the Fiscal Responsibility Act.
- Power to authorize expenditure from Consolidated Revenue Fund of the federation or states through Appropriation Acts/Laws. (Section 81 & 121). The 1999 Constitution provides that no money shall be spent by the Federal Government unless such expenditure is either provided for directly by the Constitution or it is authorized (i.e. appropriated) by the National Assembly.
- The 5<sup>th</sup> Constitutional Alteration Exercise has new provisions to reduce the period within which the President or the Governor of a State may authorise the withdrawal of monies from the Consolidated Revenue Fund in the absence of an Appropriation Act from 6 months to 3 months.
- There is also a provision to provide for the time within which the President or Governor shall lay the Appropriation Bill before the National Assembly or House of Assembly to encourage early presentation and passage of Appropriation Bills.
- Powers to establish Contingency funds and other public funds of the Federation or states. (Section 83 & 123).
- Power of the National Assembly to fix remuneration, salaries and allowances for President, Vice President, Chief Justice



of the Federation and other officers specified in the Constitution. The States houses of assembly also have similar powers in relation to the Governors, Deputy Governor and other officers specified. (Section 84 & 124).

- Power to approve proposals for revenue allocation from the Federation Account and distribution of monies from the federation account between the Federal, State and Local Governments. (Section 162).
- Power to impose taxes and duty. (Section 163.)

## **The Budget Process in Nigeria**

In Nigeria, the preparation of the budget is a shared responsibility of the Executive and Legislative arm of the Federal Government. The budget, which is officially referred to as the Appropriation Act, is introduced by the Executive, approved by the Legislature and signed into law by the President.

### **Budget Planning/Formulation**

The Budget Office of the Ministry of Finance develops the budget in accordance with the Federal Government's fiscal policy. The Budget Office meets early in the fiscal year with key revenue generating agencies as well as key economic agencies to assess and determine trends in revenue performance and macroeconomic indicators and the implication of such trends for the next three fiscal years. This discussion leads to the preparation of a Medium-Term Expenditure Framework Report, which includes the Fiscal Strategy Paper and MDAs expenditure ceilings, which is presented by the Minister of Finance first to the Federal Executive Council and then to the National Assembly for consideration and approval.

### **Budget Call Circular and Preparation of the Executive Budget Proposal**

Once the Nigeria's **Medium Term Expenditure Framework (MTEF)**, **Fiscal Strategy Paper** and MDAs' expenditure ceilings have been approved by the Federal Executive Council, the Budget Office, under the supervision of the Minister of Finance, issues a "**Call Circular**". The Call Circular instructs the MDAs to allocate their allotted capital expenditure ceilings across their existing and new projects, programmes and other initiatives. MDAs are also required to submit estimates of their recurrent expenditure requirements for personnel costs and overhead. The Budget Office evaluates and consolidates the submissions of the various MDAs and prepares the draft budget. This process most times, takes place in August.

### **Presidential Submission to the National Assembly**

The draft budget is presented by the Minister of Finance to the President for approval. The approved budget, together with

supporting documents, is formally presented by the President to the National Assembly for consideration and appropriation, typically at a joint session of the Senate and the House of Representatives.

## Role of National Assembly in Budgeting

### *Detailed Legislative Procedure on Appropriation Bill (Money Bill)*

- An Appropriation Bill is deemed to have been read the First Time when the President addresses the National Assembly. Rules and Business Committees of the two Houses in conjunction with the Appropriations Committees determine the number of days to be allotted for the Second Reading (Order 92/Order XII Rule 97).
- At the completion of the Second Reading, the Bill is committed to the Appropriations and Finance Committees of the two Houses. Each Committee of the two Houses is allotted an aspect of the Schedule to the Bill and its corresponding part of the Estimates relating to the Ministry or Department it has responsibility for. In both Houses, the Standing Committees:

*"shall for this purpose be deemed to be Sub-Committees of the Appropriations Committee and shall consider estimates for the Ministries, Departments and Agencies which came under their charge" (Order 92 (4) (a) of the Senate and Order XII, Rule 97 (5) (a) of the House of Representatives.*

## National Assembly Public Hearing on the Appropriation Bill

In the 8<sup>th</sup> National Assembly, Public Hearing on the Budget was institutionalised as part of the Budget enactment process. This derives from the realisation that citizens are critical stakeholders in nation building. The interactive session on the Budget brings together civil society and non-governmental organisations, as well as thought-leaders in the online and social media circle – and, of course, the Executive and Legislature. The Committee of Supply is to receive, debate and consider the clauses contained in the Report capturing critical components of budget document.

- After consideration, the Sub-Committees shall report back to the Appropriations Committees of the two Houses. After deliberating on the Reports of the Sub-Committees, the Appropriation Committees report to the **Committee of the Whole**, which at this stage sits as the "**Committee of Supply**".
- This Committee is chaired by the Presiding Officer of each House. As in the case of the Second Reading of the Bill, the Rules and Business Committee of the Houses shall allot a number of days for deliberation in the Committee of Supply.
- When the Appropriations Bill has been passed by the Committee of Supply, the Appropriations and Finance

Committee of the Senate and the Appropriations Committee of the House shall, within three working days, prepare its final Report incorporating a summary of all the amendments agreed to by the House.

- Upon approval of the Committee's Report, the Leader of the Senate/House shall move the Third Reading of the Bill forthwith, and shall be decided without amendment or debate.
- After the Third Reading, the Bill will be sent to the other House; and where there are differences (as will most likely be the case for a Money Bill), a **Joint Finance Committee** shall be set up in accordance with the provisions of Sections 59 and 62 (3) of the Constitution. At the end of the deliberation, the Joint Finance Committee shall present its Report to each of the Houses, and when the Report is finally approved by each House, the Appropriation Bill shall be deemed to have been passed by both Houses.
- The Bill and the Schedule to it will be sent to the President by the Clerk to the National Assembly for **Assent** in accordance with the provision of Section 58(3) of the Constitution and the Acts Authentication Act, LFN, 2004. The above details apply mutatis mutandis to a State Legislature.

## Budget Implementation

The implementation of the budget is carried out by the various Ministries, Department, and Agencies (MDAs) of the federal government. Funds for capital projects are released on a quarterly basis to the relevant spending MDAs in line with what is allocated to them in the budget.

## Monitoring and Evaluation of the Federal Budget

The oversight of budget implementation is the final stage of the budget process. The monitoring is done by the Ministry of Finance, the National Planning Commission (NPC), the National Assembly, the National Economic Intelligence Agency (NEIA), the Presidential Monitoring Committee (P BMC), the Office of the Auditor General of the Federation and the Accountant General of the Federation. Actual inspection of the capital projects are carried by these agencies in various capacities, predominant among them is the Ministry of Finance; the National Planning Commission and National Assembly through its think-tank – the National Institute for Legislative and Democratic Studies (NILDS).

While copies of the budget Implementation reports are on the website of the Federal Ministry of Finance, such reports from NILDS are made available to the National Assembly presiding

officers and relevant Committees.

## Budget and the Oversight Functions of the Legislature

Oversight is an important and constitutional part of lawmaking. Legislators are required to monitor the implementation of budget by the executive arm of government. By Section 88 of the Constitution, the National Assembly is empowered to conduct investigations into any matter or thing with respect to which it has power to make laws. It also has power to conduct investigations into the conduct or affairs of any person, authority, ministry or government department charged, or intended to be charged with the duty or responsibility of executing or administering laws enacted by it and the disbursement or administration of funds appropriated or to be appropriated by the lawmakers.

The legislature uses investigative committees – appropriation committee, standing committees, and ad hoc committees – to collect and analyse information concerning the administration of programs and implementation of governmental policies and programmes. The possibility of legislative investigation doubtless contributes to administrative responsibility and rectitude.

### Purpose

The general purpose of legislative oversight has been adequately summarized to include, but not limited to, the attainment of the following objectives:

- To detect and prevent abuse, arbitrary behaviour, or illegal and unconstitutional conduct on the part of the government and public agencies. At the core of this function is the protection of the rights and liberties of citizens;
- To hold the government accountable in respect of how the taxpayers' money is used. It detects waste within the machinery of government and public agencies. Thus it can improve the efficiency, economy and effectiveness of government operations.
- To ensure that policies announced by the government and authorized by parliament are actually delivered. This function includes monitoring the achievement of goals set by legislation and the government's own programmes; and
- To improve the transparency of government operations and enhance public trust in the government, which is itself a condition for effective policy delivery.

### Oversight Tools

To undertake oversight functions, parliaments use various mechanisms or tools to obtain the information they require concerning any matter over which they are conducting oversight.



## Oversight Instruments of Committees of the National Assembly

- ⊙ *Briefs Received from MDAs*
- ⊙ *Visits to MDAs*
- ⊙ *Questioning*
- ⊙ *Project Inspection*
- ⊙ *Engagement with Appropriation Bill/ Budgetary Function*
- ⊙ *Public/ Investigative Hearing*
- ⊙ *Public Petitions*
- ⊙ *Confirmation/ Screening of Nominees*
- ⊙ *Interactive Meetings/ Sessions*
- ⊙ *Interviews*
- ⊙ *Bill Referrals*
- ⊙ *Resolutions*

The tools are used either singly or in combination in dealing with a particular issue.

i. **Public Hearing** –A Public Hearing is a mechanism by which Legislative Committees obtain information, expert opinions, and alternative perspectives on a proposed or pending piece of Legislation and other matters within their jurisdiction

ii. **Hearing in Plenary Session** - This usually takes the form of subjecting agents of the executive to appear before the plenary session of either house of the legislature or joint houses or the discussion of thorny national issues that are eventually backed by a resolution.

iii. **Investigation** - The most powerful instrument of the legislature under the constitution is that of committee hearing and investigation into the executive branch operations. Investigative Hearings have the most outward manifestation of oversight activities of the National Assembly is its Public Hearing (question and answer sessions). This is when the National Assembly, through its various legislative committees, calls on the various Ministries, Departments and Agencies (MDAs) to give account of how monies appropriated for programmes and projects were spent...

*“Each House of the National Assembly shall have power by resolution published in its journal or in the Official Gazette of the Government of the Federation to direct or cause to be directed an investigation into (a) any matter or thing with respect to which it has power to make laws; and (b) the conduct of affairs of any person, authority, ministry or government department charged, or intended to be charged, with the duty of or responsibility for (i) executing or administering laws enacted by the National Assembly, and (ii) disbursing or administering moneys appropriated or to be appropriated by the National Assembly.”*

*Section 88, Sub sections 1(a) (b) and 2(a) (b) of the 1999 Constitution of the Federal Republic of Nigeria*

*“the powers conferred on the National Assembly under the provisions of the section are exercisable only for the purpose of enabling it to (a) make laws with respect to any matter within its legislative competence and correct any defects in existing laws; and (b) expose corruption, inefficiency or waste in the execution or administration of laws within its legislative competence and in the disbursement or administration of funds appropriated by it.”*

*Sub-section 2(a)-(b)*

iv. **Auditor – General** – This is a creation of section 85 of the Constitution. Section 86 of the Constitution specifies that “the Auditor – General of the Federation shall be appointed by the President on the recommendation of the Federal Civil Service Commission subject to confirmation by the Senate”.

Under the Presidential System of Government, the Auditor-General, although independent, is responsible to the Legislature and not to the Executive - but only to the extent that the Auditor-General tables Reports before the Legislature.

v. **Public Accounts Committee**- this is usually a special committee of both houses of the legislature whose responsibility includes but not limited to;

- i examining the accounts showing the appropriation of the sums granted by the Legislature to meet Public expenditure, together with the auditor's reports thereon
- ii examining any accounts or reports of statutory corporations and Board etc.

vi. **Warrant of Arrest/Power to Arrest** – this is granted to the legislature by the Legislative Houses (Powers and Privileges) Act (The Laws of the Federation of Nigeria 2004) to enable it force appearance before it and to protect it from ridicule.

vii. **Oversight Visit** – often members of the legislature and their staff undertake visit to government agencies and project sites to verify claims made and to experience first-hand the operations of government and its programs.

viii. **Reporting Requirement** – departments and agencies of government are required to submit annual reports to the legislature. The legislature also requires its committees to submit reports that include information on their oversight activities.

#### Contact

National Institute for Legislative  
and Democratic Studies  
14/18 Danube Street  
Off IBB Way, Maitama,  
Abuja, Nigeria.

E-mail: [info@nils.gov.ng](mailto:info@nils.gov.ng)  
Tel: +234-(0)8-189978800  
Website: <http://nils.gov.ng>