

Conceptual Assessment of The Multidimensional Nature of Budgeting in Nigeria

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Abstract- A budget is the principal instrument of fiscal policy used to encourage stable growth, sustainable development and prosperity in the economy. It is a comprehensive document that outlines what economic and non-economic activities a government wants to undertake with special focus on policies, objectives and strategies for accomplishments that are substantiated with revenue and expenditure projections. This paper examines the multidimensional nature of budget and the budgeting process in Nigeria. It considers budgeting as politics, process, game, ritual, expression of policy, allocator and technical administrative tool. It recommended that actors in the budgeting process must take into consideration, the multifaceted nature of budget before concluding decisions on the budget document.

I. INTRODUCTION

The budget is a key instrument for macroeconomic management in most economies and its efficacy determines the success of governments in meeting societal goals. The budget is also a tool for the implementation of social, political and economic policies and priorities which impact on the lives of the population. It is a plan and we know that plans depend heavily on information, analysis and projections. A successful budget must be a product of a process that is based on sound and quality information, rigorous impact analysis and an effective feedback mechanism to internalize lessons of past budgets. The budget is an integrated output of a dynamic process in which the connections between the various sectors are critical for its ultimate impact and should be looked at in a holistic manner. The multidimensional attributes of a typical budget cannot be underestimated as an attempt to do this, will eventually lead to failure to ensure progress, hence, the centrality of the conceptual assessment.

II. BUDGET AS POLITICS

According to Ndum and Udoye (2020), scholars are not agreed on the content of budget as politics because of the diversity and complexity of its rationales, activities, stakeholders, and providers at the national, sectoral, and institutional levels. The ‘guardian-spender’ framework formulated by Aaron Wildavsky has defined the way in which most political scientists think about government budgeting since it first appeared in 1964 (Wildavsky 1975; Green and Thompson 1999). Wildavsky argued that budgetary outcomes could be explained (or at least analyzed) by focusing on the interplay of budget actors performing the highly stylized institutional roles of guardian (of the public purse) and spender. This behavioral framework proved sufficiently flexible to account for the differences in budgetary performance across different political systems (see studies by Savoie 1990; Heclo and Wildavsky 1974; Wildavsky 1986); as well as explaining the impact of budgetary reform and divergent economic environments on budget politics (Caiden and Wildavsky 1974; Wildavsky 1975). Reference to ‘guardians’ and ‘spenders’ still pervades discussions of government budgeting in the academic literature of political science and economics (Campos and Pradhan 1997), and has become accepted as conventional descriptions by practitioners in national governments and international bodies (such as the OECD, World Bank and the IMF).

III. STRATEGIES AND TOOLS OF BUDGET POLITICS

In *The Politics of the Budgetary Process* Aaron Wildavsky established new methods of inquiry into the processes of government budgeting (Jones and McCaffery 1994). Rather than proceeding from a normative basis that sought to pronounce how governments should budget, Wildavsky focused on

explaining ‘how the budgetary process actually works’ (1974). He revealed the highly competitive but uncertain nature of budgetary formulation, the inherent complexity of budgetary decisions, and how budget actors need to specialize, ‘satisfice’ and rely on ‘decisional heuristics’ to contain conflict. Behavioral norms tended to characterise government budgeting in the absence of formal procedures for financial control. In other words, Wildavsky constructed a framework for studying the politics of government budgeting which highlighted three primary elements of budgetary politics:

- the dichotomous relations between guardians and spenders became pronounced in the absence of formal rules and procedures of financial control;
- actor strategies and practices provided some sort of ‘routine’ to budgetary politics; and
- the impact of reform on budget politics tended to be limited.

Government budgetary politics are depicted as a game between two sets of actors playing the institutional roles of guardians and spenders. Wildavsky classified budgetary players according to loosely defined and highly stylized criteria based on ‘the expectation of behavior attached to institutional positions’ (1975:11). These roles are performed at each stage of the budget process and at all levels of the political and bureaucratic spheres. Wildavsky summarized his argument as follows:

One of the constants of budgeting is the division of roles into spenders and savers, a result of the universal scarcity of resources. Claims and demands always outweigh the resources to satisfy them. Hence there are always people who want more than they have and those who show them they can’t have as much as they would like. Officials in charge of carrying out the government’s functions are oriented toward needs. They are always confronted with things that are not done but should be done. They fulfil their task best by advocating these needs. For this reason the government’s purse needs guardians who would ensure spending does not go beyond available resources and that all spending advocates get a share of what is available (Wildavsky 1975:187).

While Wildavsky recognized the dichotomy between spenders and guardians resulted in adversarial conflict, he did not define this conflict as problematic. Successful budgeting is portrayed as a product of ongoing guardian and spender relations: both roles are legitimate and necessary in resolving budget decisions. Dividing functions and responsibilities between spenders and guardians enables specialization, increases predictability and, therefore, reduces complexity in budget decision-making. Programs are generated by those with expert knowledge; expenditure and revenue limits are set by those responsible for the government’s economic and fiscal performance. Interaction between the two sides forces compromise and requires both sides to justify and defend their position: specialization and institutional conflict between spenders and guardians produces better budgets.

Second, guardians and spenders employ an array of strategies, practices and processes to further their objectives in budgetary negotiations and these ‘techniques of competition’ are knowable. All budgetary systems provide actors with limited options, and in response they devise a set of strategies and practices used to play the ‘budget game’. In attempting to ‘protect the public purse’ against the spenders, guardians may draw on their legislative and administrative authority, attempt to exercise ‘moral’ suasion, or manage budget decision-making processes. Guardians in parliament or congress have the legal authority to reduce or simply deny the funding requested of a particular agency. Central budget agencies adapt the systems of financial accountability to control expenditures. Guardian ministers may threaten to increase tax levels or impose across the board cuts. They often will seek agreement on expenditure targets or rationing strategies before proceeding with more detailed budget negotiations.

For their part, the spenders draw on their position as policy or program experts to legitimize claims to protect existing expenditure, increase their relative share of public expenditure, or add new programs and expand existing ones. Not only do spenders need to produce ‘good work’ and ‘play it straight’, but they should be able to recognize and exploit available opportunities at the appropriate time. Policy expertise is based on relations with the program clientele or

service delivery knowledge, yet spenders must be careful not to project the image of being ‘captured’ by those clients. In protecting their on-going base, spenders may threaten to burn the ‘Washington Monument’. Both sets of actors seek to exert political influence for their desired position by garnering congressional or ministerial support, by mobilizing interest groups or influential staffers.

Yet, budgeting is not a ‘free-for-all fight’ between guardians and spenders: budget actors cooperate as well as compete. The complexity of budget decision-making requires areas of stability and techniques of conflict limitation or confinement. For example, in determining how much additional funding to request or how much funding to grant, budget actors rely on various ‘aids to calculation’. Under the system described by Wildavsky, both parties rely on past experience as a guide either to the reliability of a department’s claims or the likelihood of spending being approved. They simplify the issues under consideration by limiting the focus of discussion to inputs rather than policy, or excluding certain agreed tracts of expenditure – such as those included in ‘the base’ or the non-discretionary expenditures - from budget negotiations. As a result, budget decision-makers tend to ‘satisfice’ rather than comprehensively review each and every possible option. The increment method of budgeting implies regular, annual expenditure changes (typically increases) across all expenditure areas in each department. Spenders know they will get a ‘fair share’ increase, guardians know that increases will not be too high. Losses in one year can be gained in another; problems in one year can be deferred until the next. Wildavsky concludes: ‘the men who make the budget are concerned with relatively small increments to an existing base. Their attention is focused on a small number of items over which the budgetary battle is fought’.

Third, budgetary reform is likely to upset the balance of power between guardians and spenders, and so affect budget outcomes. This is because the actual strategies available to budget actors vary according to the political, economic and budgetary system within which the budget ‘game’ proceeds. The balance of power over time is largely dependent on the extent to which guardians vis-à-vis spenders are able to take advantage of these strategies. Under stable

institutional, political and economic conditions, the game of budget politics becomes routine: each player knows what to expect from the other and ‘participants have counter-roles that necessitate a strong push from the departmental side’ (Wildavsky 1974:19). Budgetary reform upsets this balance and previously agreed areas of budget politics become highly contested.

Norton and Elson (2002) are of the opinion that there is a rising agreement that public spending management is a political, rather than a purely technocratic, process. Learning the politics of the budget process critically means scrutinizing the ways in which the dissemination of power within the budget process affects the subsequent dissemination of public resources.

According to Department for International Development (2007) authority relations form part of the budget process and political inducements can clarify the disjuncture amongst prescribed rules and informal practices. Although technical developments can assist in resolving skills gap, political inducements often clarifies why technical capital are not effectively deployed or utilised responsibly. In turn, political inducements are formed by the nature of political systems, the degree of political rivalry and the extensiveness of political responsibility. One needs to have a better understanding of the real incentives of the numerous players.

IV. IMPORTANCE OF UNDERSTANDING POLITICAL DYNAMICS

DFID (2007) is of the opinion that thorough budgetary systems are critical to make improvement in decreasing deficiency and addressing disparities. They are dominant to government’s capability to distribute services and reduce deficiency. Thorough budgetary systems are crucial in combatting corruption and builds operative government with the required degree of competence, awareness and accountability. Public budgeting is an essential responsibility of government and the budget processes comprise an extensive variety of patrons beyond government, including parliament.

Operative government fiscal resources management systems are necessary to best support effectiveness. Vigorous of fiscal management and responsibility systems are crucial in ensuring that support capitals are utilized effectively for the planned objectives.

Superior analysis of political risk is required; political influence is the crucial threat to the effectiveness expectedness and sustainability of budget support. More political scrutiny assists in evaluating the viability of the government to obligation to the public and the degree of fiduciary risk which includes dishonesty. Adequate understanding of the political economy of the budgetary part is particularly crucial to the maturation of the commonwealth scheme. The politics of the budget reviews are useful pecker for monitoring political risk, designing syllabi to mitigate those risks and preventing corruption. These syllabuses are also crucial in gauging the credibility of government's partner who helps in the implementation of the PFMA (DFID, 2007).

Political affairs issue in knowing how budget organisations function in practice and how they vary over time. There can be a massive gap between the strict processes and casual practices (DFID, 2007).

V. IMPACT OF POLITICAL FACTORS AFFECTING BUDGETARY SYSTEMS

According to DFID (2007) there is a need for better understanding of the true motives of the different participants, as occasionally poor operational systems accommodate influential people very well. Not all serious things belong together, they don't essentially strengthen each other, certain budgetary flaws are more agreeable to a sudden improvement than others, particularly in the short run, and minor successes can quickly put down. While technological advances can help to resolve capacity constraints, political motivations frequently clarify why technical resources are not positioned effectively or used responsibly. Thus, political incentives are shaped by the nature of political systems, the degree of political competition and the breadth of political accountability. Supremacy associations and political underlying forces regulate how budget resolutions are fixed and how policy is carried out. Political inducements shake the procedure of making and applying budget policy. The budget is

the resolution of political discussions that reflect underlying authority struggles between contending social forces. The excommunication of the unfortunate from these operations is a significant feature of social elimination

VI. THE BUDGET AS A PROCESS

The budget is a dynamic process. Government budgeting refers to the organizations and practises through which conclusions are arrived at and imposed regarding the allocation and management of public resources. A thorough budget cycle usually takes three years. At any given instant, three budget processes are proceeding at the same time (i.e. Preparation for the year to come, the implementation of the current 29 year's budget and reporting and auditing on the previous year), multiplying the interactions.

- *The budget is a complex system.* It is a routine which involves different role players at different stages (preparation, approval, execution, audit and oversight) and in interlocked sub-systems. Budget sub-systems include planning, programming, treasury, cash management, public procurement, central oversight, internal control, government accounting, external auditing and legislative oversight.
- The budget process has to accommodate a range of competing demands and is subject to inherent tensions. The principal targets of government fiscal management systems are to attain collective fiscal discipline, operating effectiveness and allocated efficiency. For example, budget principle and evidence suggest that fiscal discipline is best achieved by centralizing the budgetary system in the executive branch under the close supervision of the Ministry of Finance and its central budget office. However, excessive management decisions in public budgeting have a habit of hampering financial transparency and accountability. It deteriorates external analysis and statutory oversight, and describes chances for resident involvement.

The national budget is a document that, once adopted by the legislature, gives government the authority to raise revenues, incur debts and effect expenditures in order to achieve certain goals. Since the budget regulates the basis and application of government

fiscal resources, it takes on a key part in the function of government, achieving monetary, political, social, lawful and managerial operations (DFID, 2007).

VII. THE BUDGET AS A GAME AND AN ARENA

The budget is an orbit of political conflict between contending interests. The result of this conflict mostly regulates the importance of money apportioned to dealing with deficiency. Achieving sustainable budgetary improvement requires engaging with a comprehensive set of formal role players and informal arenas beyond government, each with different authorities and psychological powers to influence the budget (DFID, 2007).

- Improving the process of budgeting is not only about endorsing change, but also defeating resistance to change. The financial plan produces winners and losers. Possible losers unavoidably fight the reorientation of government spending and protect the position quo. They generally have conferred benefits and excessive inspiration over the apportionment of resources (DFID, 2007).
- The interactions between actors and institutions define the budget arena. Each player is moved by a dissimilar set of inducements, abilities and faces different interests and constraints. These recurrent dealings occur during the various stages of the budget process and are duplicated yearly (DFID (2007).
- These interactions can result in process and outcome failures. Process failures are concerned to the making and implementation of budget policy. Outcome failures are those referred to budget performance and financial outcomes (DFID, 2007).

VIII. BUDGET AS EXPRESSION OF POLICY

Public Policy

Jenkin (1978) defined public policy as a set of interrelated decisions by a political or group of actions concerning the selection of goals and means of achieving them within a specified situation. Similarly, Ikelegbe (1994) conceived it as governmental actions or course of proposed action directed at achieving goals. Dlakwa (2009) viewed public policy as legally

sanctioned statement of intentions by government following a painstaking process of decision-making, as well as the crafting of an instrumental framework through which these intentions could be accomplished so as to meet the yearning and aspirations of the citizenry.

Government policy objectives include quantitative aims, such as raising the literacy rate by a specified amount, or qualitative goals, such as improving market. They can be achieved through a variety of instruments: direct government spending, indirect spending (tax expenditures, contingent liabilities, loans, etc.), tax policy, regulations, and direct commands. Government policy goals can also be achieved through financial transactions undertaken by the Central Bank or the state-owned banking sector (“quasi-fiscal expenditures”) or through state guarantees and insurance. However, direct government spending is the most important instrument, and the government budget is the financial mirror of most government policies.

Though policy at any level is a vital instrument to resolve problems faced by societies, however, it is just a mere statement of what government intends to do. Suffice to say therefore that policy itself needs some supportive device to get its goals concretised. One of these vital devices is budget. This is because budget involves the determination of resources and their uses for the attainment of government policy objectives. Budget serves as an implicit policy statement as it sets relative levels of spending for different programmes and activities contained in the policy thereby making the policies explicit and operational. However, the marriage between policies and budget in Nigeria has been a failed one. Instead of budget facilitating achievement of policy goals, it serves as an element that retards the actualisation of the desired goals. The aftermath has been abandoned and improper implementation of projects within the country. Many analysts have attributed this occurrence to failure in some stages in the budget cycle, namely budget formulation and especially the implementation stage.

IX. BUDGET AND POLICY

It is instrumental to state that budget serves a fulcrum for efficient mobilisation, allocation and management

of resources towards realising the policy potential of the economy.

The marriage between public policy and budgeting cannot be divorced. It follows therefore that a bridge between public policy and budgetary process be made in order to make policy a breathing reality than a statement of wishes. In the advanced countries, citizens and the organised private sectors await annual budget release with nostalgia. This is because, budget outlines current socio-economic policies of the government. In the early days, budget was just a statement of estimated receipts and expenditures. The trend has changed in the modern times as it articulates government policies and programmes in every ramifications of the economy. Through budget, therefore, various interests, desires and needs of the citizens are consolidated into programme of action. The purpose of budget as an instrument of public policy might therefore be to correct one ailment or the other within the society, such as reducing poverty, unemployment and maladministration of resources. Thus budget has tremendous social and economic implications in any society.

Ohanele (2010) substantiated this assertion thus: A budget is the most important economic policy instrument for government. It reflects a government's socio and economic policy priorities more than any other document. It translates policies, campaign promises, political commitment and goals into decisions where funds should be spent and how funds should be collected. It is explicit from the above that a well-functioning budget is vital to the formulation and execution of government policies. In the same manner, a weak budget exacerbate socio-economic problem in an economy. Over the years, budgeting within the Nigerian context has sabotaged public policies in Nigeria.

Chegwe (2010) corroborated this when he declared that budgets at the state or federal administration have not been able to achieve up to a mere 45% annual budget implementation in the last twelve years. This ugly experience no doubt according to him has sabotaged policies in key public infrastructural provision such as transport, power, communication among others. The consequence manifests in the increase in cost of doing business in Nigeria. As such foreign investors are scared away and several others

relocated to neighbouring countries or are contemplating doing so.

Ayogu Eze quoted in Onuba (2010) did not mince words when he asserted with regret about the low performance of budget to realise objectives of public policies. He emphasised that: The Senate is not satisfied with budget performance and neither is the minister of finance satisfied with the budget performance, because in some places, the performance is as low as 15 percent, in others, 27 percent and also 30 percent in some other places. In another occasion, Ohanele (2010) attested to the above when he stated that: Every year, Nigerians hear of trillions of Naira budget by all tiers of government. But at the end of the year, our people are always at a loss as to where the monies were invested. Actually, year-in-year-out, the description of budget by the government is always in laudable terms, but however, usually ends up in decreased standard of living of the Nigerian citizenry. Drawing from the above, Nigerian budgets have consistently failed over the years to achieve intended policy goals of government. Many analysts have blamed the failure on improper formulation and poor execution of budget policies.

X. BUDGET AS A RITUAL

To a reasonable extent, budget is considered a ritual in which many political and governmental figures go through the paces leading to a nearly fore-ordained conclusion.

In calm and predictable economic weather, budgets can be rather dull affairs. But while most of the ways that organised interest groups in society seek to promote their sectional advantage are well hidden from view, during the budget process these societal trade-offs take place in full view and in stark fashion. The annual budgetary process starts with the preamble in the media, now elongated to many months of frenzied speculation, leaks, hints, kite-flying and argument. Organised interest groups lobby government in public and – no doubt more effectively – in private. Political positions inside the government are squared, and pre-budget arrangements are agreed. When budget day eventually dawns, there follows the gala performance, with tall stakeholders.

Budgetary processes are decision-making processes. These decisions can be highly ritualized. Lindblom in Nyong (2002) distinguished between rational comprehensive model from disjointed incrementalism. Such model is bed of rituals. It is almost a norm for the legislative to approve a lower budget total than what the executive branch proposes. The difference may be so small that the behaviour defiles rationality. Even within the approved limits, a conservative legislature may like to vote funds for items of military. Equipment that the military does not even need, while cutting down on needed social programmes. A legislator with a pro-social agenda will likely reverse the priorities.

To a greater extent, the budget is not always controllable. There are two types of budget uncontrollability in government spending behaviour. One is procedural ; and the other is substantive. Each has its constraints but nobody seems to accept responsibility for them. But each creates a ritual. Following budget approval, the ritual plot gradually thickens. The president makes a well-publicised budget speech. The minister of finance presents the juicy details, with the world press and diplomatic corps in attendance. The presentations of the budget may be more important than the budget content. But every time is budget time. There is not end to the budget cycle. It is and remains a ritual.

A typical ritualistic underpin using the 2017 annual Nigerian budget is worthwhile, especially after so many months of waiting on the legislature to pass the 2017 appropriation bill submitted to it for vetting though not equally on time by the executive arm of government by December of 2016. They initially promised Nigerians to be through with the vetting by February of 2017 but got swindled of that lofty promise by the intrigues of political power play with the lives and destinies of Nigerians as represented by the national budget. They eventually returned a bill impregnated with N143 billion Naira after what the executive described as a rape from the original N7.28tr ballooned to N7.44 tr. this has become an annual controversies and it seemed it's never going to end if after 18 years we have not come to an agreement on how to prepare our national budget seamlessly as is done in other advanced climes. The most painful aspect of it is that these disagreements, additions and

subtractions here and there that caused the painful delays to the system are not in any way to better the polity but rather to take care of personal interests of the principal actors.

XI. BUDGET CONTROVERSY AS AN ANNUAL RITUAL

According to Olatoye (2018) since Nigeria returned to democratic rule years ago, the annual federal budget has been a constant source of friction between the Executive and the Legislative arms of government. The legislature has been tinkering with the proposals submitted to it while the executive has been bemoaning the alterations. The problem has lingered on because successive administrations have been more reactive than proactive. The decisive step to nip the problem in the bud has not been taken. It should thus not be a surprise to discerning observers that history has again repeated itself in the current fiscal year. It would have been a bigger surprise if it had not happened. The executive arm maintains that it knows and defines its policies and projects while the lawmakers insist that the National Assembly has the constitutional power of appropriation to alter proposals submitted to it by the executive arm and will not serve as a rubber stamp. The controversy has, at different times, been taken to the court of public opinion where views have been expressed and judgments have been pronounced. The arguments and conclusions of commentators have changed nothing and can change nothing. Until the Supreme Court is approached, as the final arbiter, to make a pronouncement on the issue, the controversy will continue. Each year, the executive laments the harmful effects of the alterations to the budget proposals while the lawmakers come up with justifications for whatever they have done. The consequence of this is that the signing of the budget into law is unduly delayed and the economy is the worse for it.

President Muhammadu Buhari was palpably disturbed at the signing of the budget for the current year because the lawmakers had extensively tinkered with the proposals submitted to them by the executive. After paying the leaders and members of the National Assembly a left-handed compliment by thanking them for passing the Appropriation Bill seven months after it was presented to them, he itemised the alterations

that constituted a source of worry to him. He said the National Assembly had cut N347 billion from what the executive earmarked for 4,700 critical projects and injected “unnecessary projects at a cost of N578 billion”. According to the president, the substituted projects were not properly conceptualised, designed or costed and are supposed to be carried out by states and local governments. Among other changes, the lawmakers upped the National Assembly’s N125 billion budget by raising it to N139.5 billion. They added to the budget of Ministries, Departments and Agencies without considering their institutional capacity to implement them. Provisions for strategic interventions in health and housing were reduced. The Lagos-Ibadan Expressway, the Enugu Airport Terminal Building, Itakpe-Ajaokuta Rail project, the Pension Redemption Fund and Public Service Wage Adjustment programme were also affected by the reductions. The National Assembly, in its response, said it acted in the interest of the people by ensuring that the six geo-political zones equally benefited from the budget. What the legislators have done with this year’s Appropriation Bill is a virtual replay of what they did in 2017 when the deficit budget was increased for self-serving reasons in an economy in dire straits. That the country has been borrowing to balance its annual budget does not matter to members of the National Assembly. Some members of the same legislature are collecting mouth-watering pensions in addition to their bloated remunerations as legislators. As they did last year, Nigeria’s federal lawmakers have again effected drastic cuts in the provisions made for critical projects like the Lagos-Ibadan Expressway, the East-West Road and other projects that should have been completed a long time ago. And what are the priorities to which the distinguished legislators are committing Nigeria’s scarce resources? They include the supply of industrial sewing machines, building of fish feed mills, supply of tricycles and motorcycles to youths and women, purchase of grinding machines, building of VIP toilets in primary schools and others that should not fall within the purview of the Federal Government.

According to Ndum and Onukwugha (2012), leadership matters and cannot be ignored. In Nigeria’s presidential democracy, federal lawmakers do not simply make laws and perform oversight functions to check the excesses of the executive arm of

government. They initiate and execute projects. They fix their own remunerations in violation of the constitution that vests that responsibility in the Revenue Mobilisation, Allocation and Fiscal Commission. They feed fat at the expense of the poverty-stricken people they claim to represent. Unabashed by the outrage caused by the revelation of their mind-boggling remuneration, the legislators have increased their budget in the current financial year by N14.5 billion. They are empowered by the constitution to oversee the executive and call erring officials to order. The question that arises is: Who oversees the legislature? The annual lamentation of the executive and the frequent criticisms and outcry of the public have not brought about any change for the better in the conduct of National Assembly members. The legislative assembly that should check abuse has been a cesspool of what it exists to check. The Supreme Court should be approached to make a definitive pronouncement on the limits of the powers of the executive and the legislature on the Appropriation Bill.

XII. BUDGETS AS ALLOCATORS

Allocation Mechanisms

In general, there are two allocation mechanisms found in modern societies: the market or free enterprise mechanism and central command mechanism. Both usually operate to some degree in all societies. In some nations, however, the proportion of resources that are allocated by a command decision from some central governmental powers centre is far greater than in others. Those nations that rely heavily on central command allocation mechanisms are usually more socialists and those that rely more heavily on the market allocation system more capitalists. Governmental activity, however, is always associated closely with the command system its details are manifested through a budget. Since our interest lies in budget attention will be paid to the command system. But to understand that mechanism, we will compare it with its rival allocation system. Before the advantages and disadvantages of each system are considered, a brief description of both mechanisms is in order.

XIII. THE COMMAND AND MARKET SYSTEMS

According to Nyong (2002) command and market allocation mechanisms were presented as polar opposites primarily for purposes of explanation. In reality there is considerable grey area where the two systems overlap. To give a few examples, private firms such as private security training schools, provide police and protective services that are bound to have some spill-over benefits to society in general. Even though there is a strong rationale for public provision of education, everyone knows that private educational institutions exist. And while natural monopolies are theoretically best administered by a public organisation, they typically are provided by non-governmental organisations, whose rate structure quality of services are supervised by public service commissions. There are even joint private firms and government ventures such as the Communications Satellite Corporation, COMSAT, and private transportation systems.

In spite of the twilight zone of overlap and similarity between the command and market allocation systems, it is generally possible to distinguish countries by the reliance on one or the other system. In countries like the USSR, China, Sweden and Denmark there is heavy reliance on a command system to allocate societal resources. In United States, Germany, the Philippines, Canada, and Japan, there is major reliance on the market. The reasons some countries follow one system more vigorously than the other often is based on ideology. Communist and most varieties of socialist countries hold that relying on the profit motive to distribute services and goods will not guarantee equitable provision to all people and they therefore, use the command system to distribute at least basic necessities such as utilities, transportation, and food. These countries have a more or less explicit notion of what should be done for the people and usually have a governmental structure that is sufficiently unified that once goals are set, they will be implemented.

In the more capitalist countries agreement on what should be done for or to the average citizen is less forthcoming and governmental structure is generally more decentralised or fragmented. No one group of people can control enough of the authoritative centres of power consistently to implement what they desire. There is generally less dissatisfaction with how the market is distributing goods and services, perhaps

because the capitalist countries have been more prosperous. There could, therefore, be more slippage and inefficiency in the allocation of such societal wealth.

But apart from any influence of ideology or wealth, there is an attempt in all societies towards heavier utilisation of the command and market allocation mechanism. The history of the United States gives ample evidence of this assertion. From a society that two hundred years ago was basically rural agrarian, self-contained, and dominated by a laissez faire philosophy, this country has developed into an urban, industrial and highly independent society. With this shift, there has been a strong call for more government. Increasing population creates more occasions for conflict and hence the need for more adjudicatory mechanisms. Greatly interdependence in the economy brought on by nationwide commerce brings on the need for uniformity of standard and operating procedures across jurisdictions. Increased responsibility in the international scene means more diplomatic representations and military presence. And the constant wave of heightened expectations from the citizenry puts greater demands on the government. All of these trends call for more government, which means more resources are diverted into the public sector. In that sector, it has been pointed out, decisions about where the money goes are made not through any market mechanism but through a command mechanism, that is to say, a political mechanism.

Politics and Monetary Allocations

So far in this chapter the rather abstract term command allocation system has been used in talking about how money is distributed in governments. But no clue has been given to how this is done. This is largely because the process is basically politics and politics is not easily definable. If it were subject to nice, easily understandable and mutually agreed upon rules, budgetary allocations would be easily predictable. That however, is not the way the political budgetary world works. Because people cannot provide all that they need for themselves, they must rely on others for many goods and services. In contemporary collective society the allocation of goods and services is provided through two mechanisms: the free market system and the command allocation system.

Government allocates society's resources by commanding that taxes will be spent.

Command allocation is necessary in part because the market mechanism is not adequate. Services and goods that cannot be divided, or collective goods as they are called, will not be provided by a profit driven market. Situations where price is not a good indicator of the value of a service also are not attractive to private firms. Similarly, goods and services provisions where extraordinary risks are involved will not find free enterprise operation. Finally, the case where natural monopolies occur, where only one producer of a good or service can reasonably operate, militates against the operation of a free market. Because goods and services would not be provided by the market in these situations the government must use its coercive powers to command those certain resources be allocated in particular ways.

Government also allocates resources through the command system because people feel that it ought to pursue positive goals and not only remedy deficiencies in the market system. For example, government uses its coercive powers to command that monies be allocated to reduce unemployment, to relieve poverty and to discourage antisocial behaviour because the populace wants those things to be done. The most immediate approach by which government at any level and in any country commands or allocates financial resources, is through the budget process.

XIV. BUDGET AS TECHNICAL ADMINISTRATIVE TOOL

The technical-administrative theory of public budget is based on practice. For the technocrat, the budget is a helpful tool or device for anticipating problems and laying plans to meet them. It provides the basis for developing operating policies, for determining the number of people to be hired, temporarily laid off, or discharged. It is the base from which to make either upward or downward adjustments as the level of corporate activity determines. The budget is a useful standard of performance and thus aids in the control process of an organisation (Nyong, 2002).

Budget, as a technical tool, has three important functions. It aids in the control of expenditure; for managing ministries, departments and other

government agencies; and for planning programmes and projects. Budgetary management demands skills. Administrative skills involves mastery of five basic processes of planning, organising, assembling resources, supervising manpower, and controlling resources. These are central issues in expenditure control, in managing complex organisations like public bureaucracy and in planning programmes and projects.

The budget is a tool for management and expenditure control. Budgetary control involves delegation of authority. Delegation is always a relationship. Three aspects of this relationship in expenditure matters may be distinguished. They are the assignment of duties; the granting of permissions and the creation of obligations and responsibilities. In budgetary administration four types of authority should be distinguished. They are legal authority, technical authority, operational authority, and ultimate authority. Legal authority describes a situation where an individual in an organisation is legally permitted to take an action. Technical authority adheres to the individual and refers to a person who is a recognised authority in some particular field, and in this case, budgetary matters. Operational authority refers to individual rules and obligations in an organisation. It is not a delegated authority in the strict sense of the term. Ultimate authority describes the original source from which one derives the right to take certain actions. The law is ultimate authority in budgetary matters.

The budget document is the tool of management. The document has three common elements. The spending unit is the basis. It carries data for three consecutive fiscal years (FY). It gives estimated revenue for the present FY. In general, the attention is drawn to the activities of the spending departments as the cost centres. In modern budgets, FY budgets are integrated with Rolling Plans and Perspective Plans.

CONCLUSION AND RECOMMENDATIONS

From the foregoing, it has become glaring that budgeting is a management and leadership tool. Many benefits are derived from budgeting, although it is a means and not an end in itself. It is a feed forward process that makes an evaluation of the variables

likely to affect future operations of the enterprise. Budgeting predicts the future with reasonable precision and removes uncertainty to a greater extent. It is recommended that if budgets are carried out in a conscientious and effective manner before, during and after budget is set, with consideration to its multifaceted nature, it will offer numerous benefits both to the organization, country and their employees or citizenry as the case may be.

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