

# A Critical Evaluation of Benue State's Fiscal Performance in the Nigerian States Budget Transparency Survey

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## **Abstract**

*This study evaluated the effect of budget transparency on the overall fiscal performance of Benue State between the period of 2015 and 2022. The study employed a survey design, using multiple-choice questionnaire, where data were obtained on key variables related to budget transparency, in addition to the Open Budget Index (OBI) to assess the degree of information and hence measure budget transparency. The survey was separately conducted in 2015, 2018, 2020 and 2022 on the key variables of interest which include public availability of key budget documents, public participation in the budget process, public access to procurement information and the state's ability to only "Provide Minimal Information" and in some cases, scanty or no information at all. Fiscal performance on the other hand was measured using the perceptions derived from the state-of-the-state ranking parameter by the Budget (2022) report. Findings indicate a general lack of budget transparency, matched by corresponding poor fiscal performance of the state within the period, as Benue was ranked 36 out of the 36 states of the Federation in the 2022 latest fiscal performance ranking. The study therefore recommends among other actions, timely production and online publication of the Call Circular, the Medium Term Expenditure Framework (MTEF), the Fiscal Strategy Paper (FSP), the State Mid-Year Review and the State Auditor-General's Reports.*

**Key Words:** Budget Transparency, Fiscal Performance, Principal Agent Theory, Public Participation, Fiscal Responsibility Act, Benue State.

## **Introduction**

Fiscal governance issues have, for over a decade, taken the centre stage in fiscal policy management. Worthy of note is that good governance is predicated on four pillars: transparency, predictability, participation, and accountability. The Nigerian States Budget Transparency Survey was created by Civil Resource Development and Documentation Centre (CIRDDOC) Nigeria, to assess these pillars in Nigerian states' budget process. The survey brings to the fore issues of transparency, participation and accountability in the budget and procurement process at the sub-national level in Nigeria. The Nigerian Sub-National (States) Budget Transparency Survey (SNBTS) is the first independent assessment investigating transparency and spaces for public participation in the budget processes and transparency of procurement processes in all 36 Nigerian states (CIRDDOC, 2022).

Budget plays a very significant role in fiscal governance and the development of nations. The budget helps in prioritizing the allocation of public resources, achieving policy goals through prudent fiscal planning, establishing accountability and financial controls, which also ensure compliance to rules and increase overall efficiency. A budget which process is transparent therefore ensures the health of an economy (Romenska, Chentsov, Rohko & Uspalenko, 2020; Idris, Nmadu, Adamu & Yakubu, 2021).

Nigeria as a fiscal entity is composed of three distinct levels; the central authority, the 36 states including the Federal Capital Territory (Abuja) and 774 Local Government Areas (LGAs). While the primary source of revenue flows from crude oil, and is shared on monthly basis among the three tiers in form of revenue allocation based on certain approved criteria, the component states and individual

LGAs are expected to augment the efforts of the Federal Government by leveraging on independent internally generated revenues (tax and non-tax), based on the constitutional provision of the country. However, the sustainability of most states appears to be questionable as apart from Lagos, Ogun, Kaduna and Rivers states, the rest of the states cannot boast of surviving without the federal allocation (Yaru, 2022). This has generated crisis in the literature regarding the true character of fiscal federalism in Nigeria over the decades, owing to the domineering role of the central authority in the entire fiscal space.

At the heart of the crisis is the issue of budgetary transparency. Scholars have identified poor tax compliance, weak morale of citizens due to the absence of confidence in the government and corrupt practices in the fiscal process (Jahnke & Weisser, 2019 and Yaru & Raji, 2022) as notable causes of poor revenue generating capacity by these states. Again, the argument that budget transparency is a catalyst to the attainment of optimum fiscal performance continues to suffice in the literature due to mixed findings (for instance, see Benito & Bastida, 2009; Cuadrado-Ballesteros & Bisogno, 2022; Gootjes & de Haan, 2022 and Sedimihradská, 2020 for a positive relationship and Jarmuzek, 2006 and Heald, 2003 for a negative impact). Thus, to ensure that the Federal authority and the Nigerian states have their budget processes devoid of opacity, the National Assembly, has enacted laws such as the Fiscal Responsibility Act, 2007, Public Procurement Act, 2007 and Freedom of Information Act, with most states domesticating these laws and subscribing to the Open Government Partnership (OGP) (Yaru, 2022).

Civil society organizations have also been intensifying their advocacies towards achieving the same goal. For instance, the Civil Resource Development and Documentation Centre (CIRDDOC), a prominent civil society/ non-governmental organization conducts the Nigerian Sub-National (States) Budget Transparency Survey biannually, in partnership with UKaid, Department for International Development (DFID), now Foreign, Commonwealth & Development Office (FCDO) and local civil society organizations (CSOs) in all the 36 states of the Nigerian federation. Benue State participated in the 2013 survey on the availability of key budget documents, 2015 survey on public participation in budgetary process and public access to procurement information/ the State Budget Transparency Index. The state also participated in the 2018 Sub-National Budget Transparency Survey as well as the 2020 and 2022 Sub-National Budget Transparency Surveys.

Benue State lies within the lower River Benue trough in the middle-belt region of Nigeria. Its geographic coordinates are longitude  $7^{\circ}47'$  and  $10^{\circ}0'$  East, latitude  $6^{\circ}25'$  and  $8^{\circ}8'$  North. The State shares boundaries with five other States, namely: Nasarawa to the North, Taraba to the East, Cross River to the South, Enugu to the South-West, and Kogi to the West. The state also shares boundary with the Republic of Cameroun on the South-East. Benue has a population of about 4,780,389 (2006 Census) and occupies a landmass of 32,518 square kilometers. The state is predominantly agrarian with over 75% of its population engaged in active agriculture. Benue State is even acclaimed the nation's food basket. Based on the National Multidimensional Poverty Index for Nigeria (NG-MPI) published as part of the National Human Development Report 2018 and commissioned by the United Nations Development Programme (UNDP), Nigeria in collaboration with the National Bureau of Statistics (NBS), Benue State is only moderately and multidimensionally poor with the MPI score of 0.28, and has a rich culture which finds expression in colourful clothes and dance troupes.

While budgetary issues have often featured prominently in the literature, there appears to be limited theoretical and empirical analysis on budget and fiscal transparency, particularly with respect fiscal performance in Benue State. This is more so as Nigeria is consistently being ranked among the most corrupt countries in the world by the Transparency International, hence, fuelling more suspicion about the fiscal activities of the political actors. Given the imperatives of transparency and accountability in the budgetary process, particularly in an economy that is in dire need of development, this study was conducted to critically evaluate the impact of the Nigerian States Sub-National Budget Transparency Survey on fiscal performance in Benue state, in order to fill the gap in literature and contribute to the existing debate on the subject matter. To do this, this study is arranged as follows.

After the introduction segment is the conceptual clarification contained in section 2. Theoretical review and a brief review of empirical literature are captured under sections 3 and 4. The methodology of the study is presented in section 5, just as the key findings and policy implications are presented and discussed in section 6. Finally, section 7 features conclusion and policy recommendations.

## **Conceptual Clarification**

### **Concept of Budget**

A budget is conceptualized to mean an official document which clearly spells the details of government projected income and expenditure over a fiscal year (Jarmuzek, 2006). It is a government plan on the use of public resources to meet the citizens' needs (Pekkenon & Civicus, 2017). A budget is therefore considered as the main instrument for implementing fiscal policy, besides financing fresh and existing projects and thus stabilizing the economy.

### **Budget Transparency**

Pekkenon & Civicus (2017) define budget transparency as the full disclosure of all relevant fiscal information in a timely and systematic manner. It requires that civil society organizations and the masses should have adequate access to all the relevant information regarding all the budgetary procedures. Yaru (2022) considers it to be the full participation of the public in the budgetary process. It serves as a prerequisite for public participation in the entire budgetary processes, while fighting corrupt practices in order to promote public accountability and institutional quality.

The OECD (2002) defines budget transparency as the complete openness of all the relevant fiscal information on the appropriate time and in a systematic way. This is the definition adopted by this study. The OECD (2014) further outlined two main principles guiding a sound and transparent conduct of the budgetary process to include: that a budget should be managed within clear, credible and predictable limits for fiscal policy and, that it should be closely aligned with the medium-term strategic priorities of the government. Thus, an open and transparent budgetary procedure engenders high trust and assurance among the citizens that public wealth is being properly utilized for the satisfaction of their collective wants.

### **Determinants of Budget Transparency**

Krissadee & Pathranarakul (2022) and Citro, Cuadrado-Ballesteros & Bisogno (2019) identified the determinants of budget transparency to include efficient use of technology, timely reporting, early commencement of the budgeting process, democratic decision making in budget allocation, objective review of budget performance, quality of revenue resource management, effective anticorruption measures, effective stakeholder engagement in the budgeting process, quality of governance, and accountability. Citro, Cuadrado-Ballesteros & Bisogno (2019) also notes the important role of institutional quality and the general state of the economy as key indicators. It is noteworthy that the political will and posture of the government is also considered as a prime determinant of the degree of transparency of the budgetary process.

### **Fiscal Openness and Fiscal Transparency**

Fiscal openness, comprises the level of transparency, accountability and citizen participation in the entire gamut of the budget cycle. It also depicts their complementary feature which is critical during the entire budget process. It is a necessary condition for state governments desiring to provide quality services to their citizens, achieve Value for Money, and entrench good governance.

The Collaborative Africa Budget Reform Initiative (CABRI) defined fiscal openness as the transparency and participation in the budget processes which make governments more responsive and accountable, reducing corruption, optimising budget allocations and improving fiscal management and public services.

The International Monetary Fund (IMF) describes fiscal transparency as the clarity, reliability, frequency, timeliness and relevance of public fiscal reporting and the openness to the public of the government's fiscal policy-making process. The OECD defines it as the full disclosure of all relevant fiscal information in a timely and systematic manner so that stakeholders in the budget process can access information about how public resources are allocated and used. The broadest definition is that offered by Kopits and Craig which explains that fiscal transparency is the openness toward the public about government structures and functions, fiscal policy intentions, and public accounts. It involves access to reliable, comprehensive, timely, understandable, and internationally comparable information so that the electorate and financial markets can accurately assess the government's financial position and the true costs and benefits of government activities.

Public accountability is another key ingredient for fiscal openness. Transparency is an essential condition for accountability in the governance processes. An opaque state budget cannot be accurately examined, and its execution cannot be effectively monitored.

The specific benefits of transparency in the budget process include:

- ✓ It enables citizens to make contributions and to enhance their capacity to assess the budget implementation following budgetary allocations. It builds public trust in the budget process and enhances the credibility of the government over time.
- ✓ Enhances information gathering and feedback because the information gathered enables the government to improve its decision-making.
- ✓ Citizens will be encouraged to own the budget when they are effectively engaged, and their contributions are reflected in the final budget approved by the State House of Assembly.
- ✓ Elected officials and civil servants may act more responsibly if their decisions and actions are open to public scrutiny. This leads to more reasonable public spending because it can limit the diversion of resources to special interests.
- ✓ It improves the quality of public debate and the ability of non-state actors to contribute to policymaking and the budget process.
- ✓ When the budget process is credible, it can help in enhancing state governments' independent revenue drive as the people would be more willing to pay their taxes.
- ✓ Sub-national budget openness also entails understanding how states mobilise resources to fund the programs and projects in their budgets in line with their constitutional responsibilities. This entails that transparency in resource mobilisation (during budget formulation) is as vital as transparency in the actual utilisation of funds (budget execution).

### **Fiscal Performance**

This is generally considered to be an essential parameter for enhancing equilibrium for public sector in terms of revenue and expenditure. It is a critical indicator for the general performance of the overall economy, and bothers on the capacity of the public authorities to maintain long term stability in the revenue-generating and spending activities of an economy (Guadrado-Ballesteros & Bisogno, 2022). This is the definition adopted by this study. It ensures that fiscal policy objectives which include the allocation of resources, short-term stabilization, longer-term development and maximization of employment are optimally attained (Sedmihradská & Haas, 2020). These objectives could be achieved using any or a combination of the following fiscal tools; taxes, government public expenditure, public debt and the budget. Thus, a budget is often treated as the overall guiding instrument or the *tool of tools* for attaining fiscal stabilization.

### **Theoretical Review**

It is important to note that modern theoretical and empirical literature attribute budget transparency to the strength and quality of institutions and the nature of the modern state (Peci, 2016). This study is anchored on the principal agent theory, which portrays the interaction, perception and effect of the relationship between the principal agent, his subordinates and the relevant institutions that

guarantee the quality of living of the people. The theory, which emerged in the 1970s from a number of economists and theorists, describes the pitfalls that often arise when one person or group, the “agent,” is representing another person or group, known as the “principal. While it is not yet clear who actually propounded the theory, its development is often attributed to the pioneer works of Barry Mitnick and Stephen Ross in 1972 and 1973 respectively (Ross is responsible for the origin of the economic theory of agency, and Mitnick for the institutional theory of agency). It is based on the assumption that agents are only prone to the maximization of self-interest, are boundedly rational, and that they are different from principals in their goals and risk-taking preferences—that a problem occurs when one party (a principal) employs another (an agent) to make decisions and act on their behalf. In this context, the electorates (the principal) do employ through election and entrust public funds in the hands of very few politically elected or appointed citizens (the agents) to spend on behalf of the former for the satisfaction of the collective wants of the masses.

However, problem arises because both parties usually do not have access to the same degree of information about the actual planning and execution of the budget, thus, breeding *information asymmetry*. This is what Jensen and Meckling's (1976) model, which is an extension of the original principal agent theory portends. Generally, the agents often have privileged information advantage which they use to manipulate the budget in favour of their interest and at the expense of the principal's interest via their rent-seeking behaviour (Yaru, 2022). This is the key factor responsible for budget failure and fiscal crises, particularly among the developing economies, and specifically in Nigeria. Budgetary institutions, specifically institutions that promote transparency at all stages of the budget process tend to reduce the information gap between voters (principal) and politicians (agent). The complex and bureaucratic nature of the budgetary process often widens the information gap, which in turn increase the residual powers of the political actors. Thus, the strength and quality of budgetary institutions is inversely related with residual powers wielded by the political actors, and, hence, the performance of fiscal policy.

### Review of Empirical Literature

The review is thematically structured in order to examine the relationship between budget transparency and fiscal performance in perspective. Several empirical works have confirmed that there is a functional relationship between budget transparency and fiscal performance. Though the impact is perceived to be mixed, the general consensus appears to be in support of the fact that budget transparency tends to improve the implementation of fiscal policy (Hameed, 2005, Benito & Bastida 2009, Pekkenon & Civicus 2017, Amate-Fortes et al 2017, Citro et al 2019, Kilishi 2020, Gootjes & de Haan 2022, Yaru 2022 and Cuadrado-Ballesteros & Bisogno, 2022). These studies point to the fact that since budget transparency is in itself a critical indicator of fiscal policy, and also its driving force via the instrumentality of institutional quality, it often serves as a catalyst to the attainment of optimal fiscal policy and, hence economic growth. Economists are however bothered by the question of optimal fiscal performance. That is, at what point can fiscal performance be regarded as being optimal? Optimality is usually achieved in this context when there is a state of balance between the fiscal goals and their actual attainment on one hand, and between projected revenue and expenditure on the other, thus, fostering a fair allocation of resources and maximizing societal welfare. Hameed (2015) had identified the four clusters of fiscal transparency practices to include data assurances, medium-term budgeting, budget execution reporting and fiscal risk disclosures, while linking more transparent countries with better credit ratings, better fiscal discipline and less corruption, after controlling for other socioeconomic variables. Other scholars on the other hand found negative association between budget transparency and fiscal performance (Heald 2003, de Fine Licht et al 2014, Jarmuzek 2006). Such studies argue for instance that over-exposure to fiscal information may lead to high losses in effectiveness through high level of transaction costs and excessive politicization. Also, de Fine Licht et al (2014) warn that transparency may engender frustration among citizens if not combined with credible mechanisms for accountability.

Sedmihradská & Haas (2020) and Sun & Andrews (2020) have identified a reduction in fiscal illusion, reduction in information asymmetry between politicians and voters which may improve reliability and accountability and hence, political competition, coupled with the ability to strengthen the enforcement of fiscal rules as the vital channels of transmission of budget transparency to fiscal performance. In terms of measurement, many studies used the ratio of primary balance to GDP or total debt stock as a ratio of GDP to measure fiscal performance or the Open Budget Index (OBI) to measure budget transparency (Sedmihradská and Haas, 2013; Giuberti, 2015; Gerunov, 2016; Zhang, 2017; Bowen, 2017; Eiya & America, 2018; Kilishi, 2020 and Yaru, 2022). It is noteworthy that while there may be little or no issues with the measurement of these variables at the national level, poor or inadequate database often constitute a cog in the wheel of reliable estimation, at the subnational levels (state and local government authorities), especially among the developing economies like Nigeria.

### **Methodology**

The survey used a multiple-choice questionnaire divided into four sections, with 86 questions in all. Section One of the questionnaire focused on timely publication of information in key budget documents. That is, how publicly available key budget documents are as contained in Questions 1-33. Section Two of the questionnaire focused on public participation in the budget process. This was further sub-divided into public engagement during budget formulation, budget discussion by Benue State House of Assembly (SHoA), budget execution and audit. Responses to this section are contained in questions 34-46.

Section Three of the questionnaire focused on the Strength of the Oversight Institutions (Questions 47-62). This section emphasized legislative internal capacity or access to independent research capacity to analyze budgets. The timing of receipt of the budget proposals in advance of the budget year from the executive and how lawfully budgets are expended with recourse to the legislative approval. Finally, the section focused on how the legislature organizes public hearing on Audit Reports and how the Auditor-General ensures quality so that audit reports are document-specific and referenced-based. Section Four of the questionnaire (Questions 63-86) focused on the establishment of transparency in the procurement system where a Public Procurement Law is supposed to be established with a functional Bureau or Office. The establishment of an external review body and any Alternative Dispute Resolution mechanism in case of contractual disputes and legal framework on access to information and fiscal responsibility are part of the focus of this section.

The researchers and the CIRDDOC constituted the survey team. The researchers received and reviewed each completed section of the questionnaire from research assistants and forwarded same, after being satisfied with the process, to the CIRDDOC team. This study adopted the Open Budget Index (OBI) in order to assess the degree of information and hence measure budget transparency. Generally, the OBI scores each country from 0 to 100, based on the average of the responses to 109 questions in the questionnaire that assess the public availability of budget information. Here, a country's OBI score reflects the timeliness and comprehensiveness of publicly available budget information in eight key budget documents. The index is broadly categorized into three scores ranging between 61 to 100 are referred to as sufficient transparency. Scores between 41 to 60 and 0 to 40 are categorized as limited and low transparency respectively. Aggregates of responses for each state were computed to obtain public availability of key budget documents index, public participation in the budget process index and procurement process index which formed the overall State Transparency Index and which were used to rank states on the score of 1–100. The closer a state's score is to 100, the more transparent the state is in its budget process and vice-versa. Also, the study could not explicitly measure fiscal performance using the ratios specified in the literature during the entire study period due to non-availability of data on Gross Domestic Product (GDP), especially at the state level. However, responses obtained from the questionnaire as well as the perceptions derived from the latest state-of-the-state ranking on fiscal performance by Budgit (2022) aided the researchers to establish informed inferences and conclusions about the variable.

Generally, the Nigerian States Budget Transparency Survey questionnaire is based on the International Budget Partnership's (IBP) Open Budget Survey (OBS) questionnaire, which measures budget transparency, oversight of the budget by the legislature and Supreme Audit Institution (SAI), and participation mechanisms throughout the budget process at the national level in almost 120 countries. This is the third edition. Each round, the multiple-choice questionnaire was completed by CIRDDOC's CSO partners with backgrounds in fiscal governance in all 36 Nigerian states. The responses to these multiple-choice questions were then aggregated to create the State Budget Transparency Index, which can be disaggregated into three sub-indices:

- State Budget Document Availability Index, which measures the number of publicly available budget documents and their contents;
- State Public Participation Index, which measures the extent to which the state executive, SHoAs, and Auditor-General (AG) involve citizens throughout the budget process; and
- State Procurement Process Index, which measures how robust state procurement processes are and how much information is provided throughout the process.

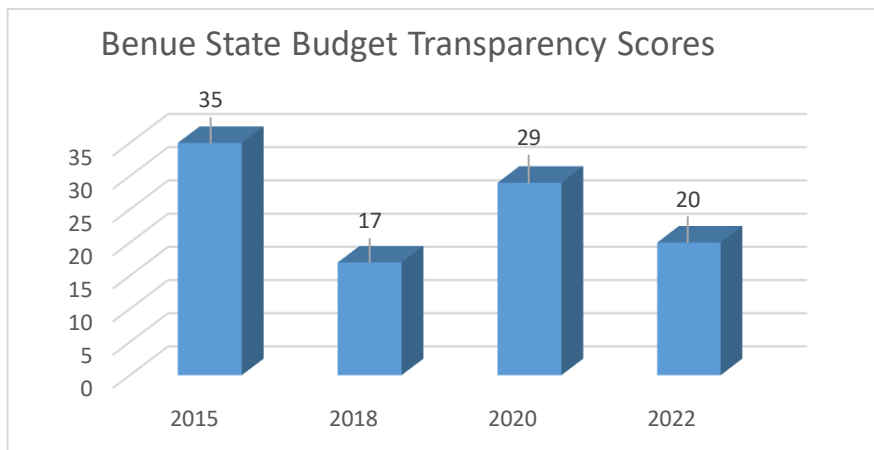
Definition of Score Ranges:

81 to 100	Provide Extensive Information
61 to 80	Provide Significant Information
41 to 60	Provide Some Information
21 to 40	Provide Minimal Information
0 to 20	Provide Scant or No Information

**Discussion of Key Findings**

**Benue State Budget Transparency Index: Provision of Budget Information Score**

Benue State scored 20 out of 100 on the State Budget Transparency Index in 2022. This shows a decrease of 9 points over the previous result of the 2020 report. However, this score fell below the average score of 42 for all the Nigerian States. The score puts Benue State on the ladder of states that only "Provided Minimal Information" on their budget process to their citizens. With this score, Benue State is seen to have performed better in 2015 with 35 out of 100 (See Figure 1).



**Figure 1: Benue State Provision of Minimal Information Transparency Index**

**Source:** CIRDDOC (2022) Reports on Nigerian Sub-National (States) Budget Transparency Survey in partnership with UKAID, DFID (FCDO) (2015, 2018, 2020 & 2022 Survey).

**Public availability of key budget documents:**

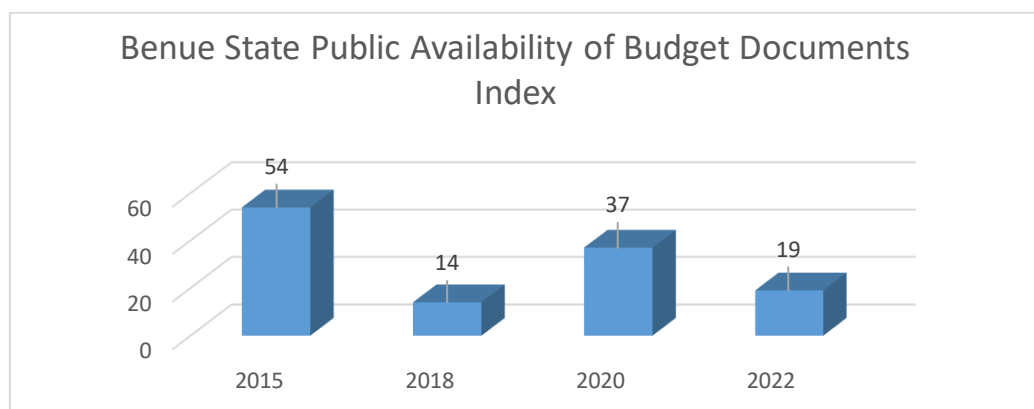
Budget transparency is chiefly reflected by the public availability of budget information and documents – a key measure of budget transparency. The availability of budget information enhances public participation in the budget process. It facilitates the abilities of the citizens and other relevant stakeholders to effectively scrutinise the budget. These budget documents are to be published online on time, based on a set timeline. For instance, the budget call circular should be published online at least one month before the MTEF/FSP is published, and the in-year report should be published at most three months after the reporting period.

Relating this to the states, by and large, there have been improvements in budget transparency in the past few years, albeit a relapse in 2022. The average score for budget transparency increased from 26 in 2015 to 32 in 2018, and further to 49 in 2020. However, the average score fell to 47 in 2022. Generally, states have made more budget documents and information available compared to the past (CIRDDOC, 2022).

Here, Benue State scored 37 out of 100 on the State Budget Documents Availability Index in 2020 but plunged to 19 out of 100 in 2022. Even though 2020 score indicated a significant increase of 23 points over 17 out of 100 scored in 2018 (See Figure 2), Benue State did not make publicly available the State Budget Estimates and Votes. The State Budget Call Circular was however produced for internal use. Usually, states provide the details of their revenue projection in the Medium-Term Expenditure Framework (MTEF) and budget estimates upon which the annual budget is prepared. However, Benue state did publish their MTEF online. The major source of revenue for the states is the Federation Account as provided in Section 162(3) of the Constitution.

Presently, the share of the Federal Government is 52.68%, State Governments 26.72%, and Local Governments 20.60%. Knowledge of this process provides clarity to stakeholders as to how states make projections of their revenue allocations from the distributable account.

The CIRDDOC’s State Budget Transparency surveys for 2015, 2018, 2020 and 2022 generally revealed a less than impressive level of transparency and accountability in the overall budget processes in the states, including the publication of the MTEF and Budget Estimates which should reveal revenue sources. The Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) have not been produced in Benue state. The State produced and made publicly available the Citizens’ Budget, State Budget Quarterly Reports, Year –End Report and the Appropriation Law. Approved Budget Estimates and Auditor –General’s Report were only produced for internal use.



**Figure 2: Benue State Public Availability of Key Budget Documents Index**

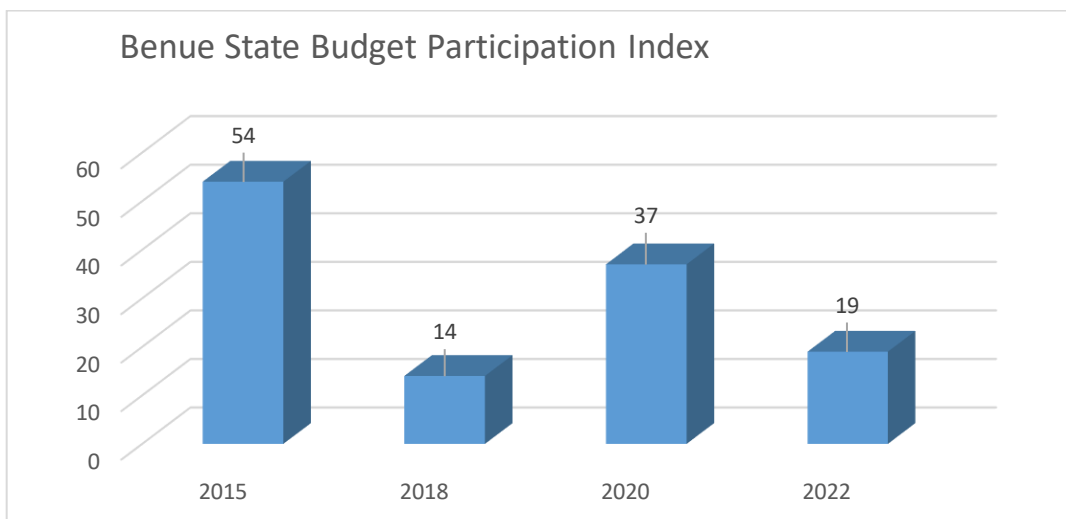
**Source:** CIRDDOC (2022) Reports on Nigerian Sub-National (States) Budget Transparency Survey in partnership with UKAID, DFID (FCDO) (2015, 2018, 2020 & 2022 Survey).



### Public participation in the budget process:

One of the key pillars of fiscal governance is the role of public participation in the budget process. Participation is critical to engendering consensus, supplying reliable information, and providing a reality check for government action with regard to public expenditure management. "The existence of mechanisms for public participation is an important deterrent against corruption. It is expected to promote more prudence in the use of public resources for projects that would benefit local communities" (Dakwang & Muripshaka, 2017). Thus, citizens' involvement (participation) helps ensure credibility and improves the meaningfulness of the data that are collected, assessed and reported.

Benue State scored 13 out of 100 in 2020 on public participation in the budget process. This shows that Benue State has further performed worse compared with the score of 17 and 15 in 2015 and 2018 respectively (See Figure 3). Although, the score of 31 out of 100 in 2022 shows an improvement in budget participation process, there is still no formal requirement for the executive to engage with the public during the budget formulation process. The executive used its discretion to engage with few selected persons during budget formulation through Town Hall meetings. Core set of constituencies were not consulted for seeking of perspectives on budget priorities. Even on budget discussion at the SHoA, the State never showed any evidence of specific budget defence calendar. During budget execution, the State government does not publish a list of beneficiaries of its spending from MDAs.



**Figure 3: Benue State Public Participation in the Budget Process Index**

**Source:** CIRDDOC (2022) Reports on Nigerian Sub-National (States) Budget Transparency Survey in partnership with UKAID, DFID (FCDO) (2015, 2018, 2020 & 2022 Survey).

### Public access to procurement information

Most key public financial management challenges experienced by African countries are downstream. Analysis by Matt Andrews identified three challenges: a) African countries make budgets better than they execute them, b) practice lags the creation of processes and laws, and c) processes work best when actors are concentrated, but poorly when they are de-concentrated. World Bank's States Fiscal Transparency Accountability and Sustainability (SFTAS) programme is concerned with increased efficiency in public expenditure. It requires improved procurement practices for increased transparency and value for money.

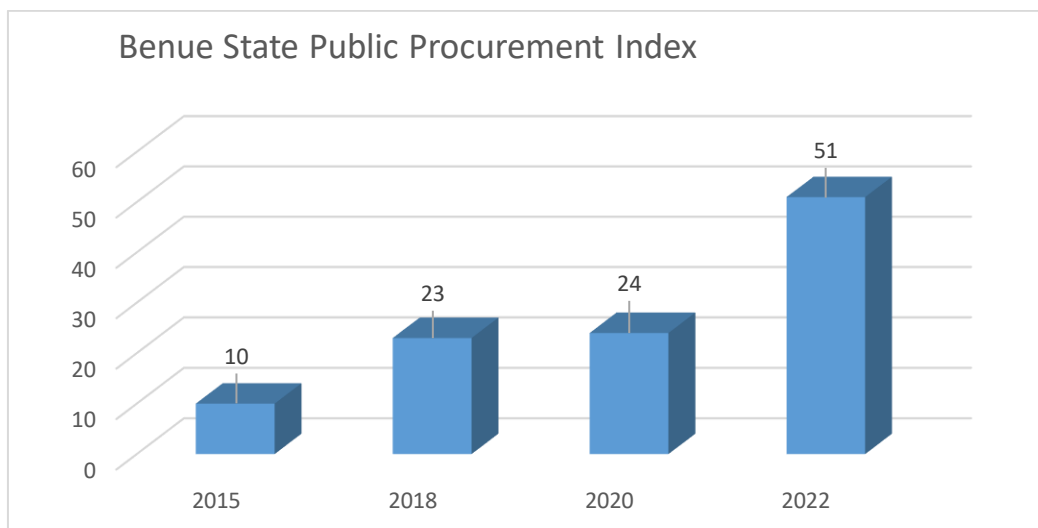
This entails the institutionalisation of state public procurement law; the inauguration of state procurement agencies; E-procurement piloted in state MDAs, and the adoption of open contracting standards by states. The OGP's commitment stipulates the full implementation of open contracting and adoption of the Open Contracting Data Standard. For the government budget to serve as the financial

mirror of any society's economic and social choices, its foremost task will be to protect the resources mobilised by the society or provided by donor agencies. Hence, protecting public resources from being misappropriated is a crucial responsibility of public financial managers.

National and sub-national governments are not immune to these challenges. Annually, the public sector spends a significant amount of funds on goods and services acquired for the benefit of the citizenry, and the cost incurred is, in essence, taxpayer's money. Globally, procurement is an essential responsibility of governments at all levels. Public procurement is concerned with the process through which the government acquires goods, services, and other resources for use in its operations, with the main goal being to ensure the greatest possible return on the public's tax revenue. Procuring entities can use public funds to purchase products and services via public procurement. Against the backdrop of negative reportage on the seeming abuse of public procurement, public interest in public procurement in Nigeria has elicited a flood of conversations about reforms, restructuring, and the legal framework governing the tender process. One of the ways via which society can efficiently and effectively address the infrastructural needs of society is via effective procurement.

For effective accountability and to ensure value for money, there is a need for better insights into the background and context of government procurement at the state level and to examine the changing and challenging nature of such procurements in the light of global best practices. Thus, there is a need to develop systems and practices that can withstand judicial review of any purchase decision that has been made as well as government auditing. Preventing the misuse of taxpayer money is one of the main goals of public accountability. The broad principle of governments procurement can be summarised as follows: a) purchasing should be predicated on value for money, and b) competition should be employed to acquire goods and services.

With a score of 24 out of 100 in 2020, there was evidence of improvement but citizens still only had limited access to procurement information in Benue State. There has been a significant increase of 27 points when compared to 24 points in 2020 and 51 points in 2022 (See Figure 4). While the Public Procurement Bureau is not yet functional, there is a State Tenders Board guiding the procurement process. In comparison to 2018 and 2020, this Board now provides pre-bidding documents to potential contractors and most tenders are opened publicly. Although a Public Procurement Law and Fiscal Responsibility Act have been enacted, they are not fully in force.



**Figure 4: Benue State Procurement Process Index**

**Source:** CIRDDOC (2022) Reports on Nigerian Sub-National (States) Budget Transparency Survey in partnership with UKAID, DFID (FCDO) (2015, 2018, 2020 & 2022 Survey).

Benue State is ranked number 36 out of 36 states of the federation in the overall 2022 state- of the- states fiscal performance ranking. This implies an abysmal outing among the comity of states in the country (BudgiT, 2022)

### **Policy Implications**

These indicators mean on a general note that Benue State did not do quite well. This is because, on the average, Benue State provided minimal openness on the budget process for all the surveys conducted. The State has reviewed and enacted financial regulations/instructions framework to ensure fiscal discipline in the budget process. This has not been implemented yet and so free access to information from government agencies is difficult. Although there is no clear-cut index on the strength of the oversight institutions in the overall report, the following observations were made: On legislative internal capacity, Benue State neither has any evidence of a coordinated internal capacity nor access to independent research capacity for budget analysis. Besides, the state also does not have full legislative or even a legislative committee to debate budget policy prior to the tabling of the Executive's Budget Proposal. It was also observed that the legislature is not consulted by the executive as part of the budget preparation process.

There is a delay in the submission of Budget Proposal as Benue State House of Assembly receives the Executive's Budget Proposal at least one month before the start of the budget year. The legislature, however, approves the budget less than one month in advance of the budget start year. The SHoA in Benue State only have limited authority in law to amend the Executive's Budget Proposal. Benue State executive is required by law to obtain approval from the SHoA prior to shifting funds between and within administrative units. That is the law provides that the sums appropriated for specific purposes shall be used solely for the purpose specified in the Appropriation Law, but in practice the executive shift funds without seeking prior approval from the legislature. The executive also does not obtain approval from the legislature prior to spending excess revenue as it is required by the Fiscal Responsibility Act of 2020. It was also observed that executive supplementary budgets are expended before legislative approval. Again, the executive in Benue State spends contingency funds without seeking prior approval from the legislature.

On the oversight role of the SHoA on Audit Reports: The SHoA does not hold public hearings to review and scrutinize Audit Reports. The state Auditor-General has no discretion to decide which audits it wishes to undertake. Besides, the State Auditor-General has not established a quality assurance system since the Audit Report in the state is not a specific public document to be referred to. The executive may remove the Head of the State Auditor-General's Office without the final consent of the judiciary or legislature. This is more so because the budget of the State Auditor-General is determined by the executive, and the funding is not even consistent with what is needed by the State Auditor-General to fulfill its mandate. Generally, there is very weak fiscal transparency and accountability:

- a) State budgets and financial statements are mostly not published.
- b) The budget deviation is high: between 30-55%.
- c) Citizens are not engaged in the budget process.

### **Conclusion and Recommendations**

On the whole, this study concludes that there is a general lack of transparency in the budgetary process in Benue State within the study period. Based on the findings, the study proposed the following recommendations for improved performance;

- i. On budget transparency, the Benue State government should timely produce and make publicly online the State Budget Call Circular, Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP), State Mid-Year Review and the State Auditor-General's Report
- ii. In terms of public participation, the government of Benue State should open the budget formulation process to all constituencies; establish effective mechanisms to solicit the public's inputs on what should be included in the State Draft Estimates and Votes; and clearly articulate what the

- government expects to do with these inputs. It should also publish a list of beneficiaries of projects, subsidies, social plans, and other targeted spending from MDAs as well as establish practical mechanisms for the public to provide inputs on how the budget is being implemented and publish reports on how these inputs are used. Specifically, the Benue State House of Assembly should open committee hearings on the budget to the public, where citizens and CSOs can testify. The House should also open the hearings on the Auditor-General's Report to the public. The Auditor-General should establish practical mechanisms for the public to submit inputs on what should be audited.
- iii. On the strength of oversight of institutions, the Benue State House of Assembly should make committed effort to develop internal capacity or engage an independent research consultant for budget analysis in order to improve its strength on oversight functions. Similarly, the Benue State Executive Council should imbibe a culture of submitting its budget proposal to the legislature at least three months before the start of the budget year to enable the legislature have a critical look at it before passage. To be fiscally responsible as required by law, the Benue State executive should always seek prior approval from the legislature before shifting funds between and within administrative units and also before expending supplementary budgets. While it is required by law that legislature should hold public hearing on Audit Reports and such practice should be adopted in Benue State, the Auditor-General should establish a quality assurance system for specific reference purposes.
  - iv. On the procurement process, Benue State should establish a functional Procurement Bureau/Office and inaugurate a public procurement council to ensure transparency in the procurement process. The State should also establish an Alternative Dispute Resolution mechanism and engage an external procurement complaints review body by law to resolve contract awards and execution disputes that may arise. The state should dismantle all restrictions of access to methods of public procurement in the State. By this, the state should also expand the percentage of capital projects which are initiated through open and competitive tender. Benue State should domesticate and have the State Freedom of Information Law to enable citizens have unhindered access to whatever information they may wish from government agencies. In a similar manner, the state should enact an Audit Law to ensure that there is a legal framework which guarantees that the Auditor General should always submit its report to the SHoA, which Public Account Committee (PAC) will use to produce its findings.
  - v. Finally, Benue State Government should ensure that its reviewed and enacted laws on Financial Regulations/Instructions in the year 2020 take their full effects in ensuring fiscal accountability and transparency.

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