

**BEST PRACTICES AND BUDGET EXECUTION IN BENUE STATE NIGERIA: A LOGISTIC APPROACH**

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**Abstract**

*Best practices ensure that the interactive processes and procedures of planned goals and their implementation do not deviate so far from each other. A review of budgeting principles, budget execution processes and the challenges facing developing economies in budget execution are articulated and documented in this paper. A survey approach with questions formatted after the CABRI (Collaborative Africa Budget Reform Initiative) 2008 survey was adopted for this work. The use of percentages, descriptive statistics and Logistic Regression are used as tools of analysis. The findings indicated that fiscal transparency index for the State stands at 30% with the overall Best practice for budget execution for the State weighted at 40%, which is 11% higher than the National index, weighted at 29% as computed by the International Budget Partnership body in their measurement of the nation's Open Budget index (OBI). The reasons associated with the low performance of the fiscal transparency, fiscal reporting and off-budget spending among others includes; delay in the preparation of final accounts, unqualified budget personnel officials, lack of genuine and independent audit team, marginal adjustments on proposed budget votes without actual costing and presenting them as new votes for passage into Law, bureaucratic and political demand of 'kick-backs' at various stages of contract execution and payments. In this connection, it is advised that the State should improve in the areas of Fiscal transparency, Fiscal reporting and off-budget spending. The need to give the Medium Term Expenditure Framework ample room to express its strengths is a welcome development that can leverage the State's Fiscal space.*

**Keywords:** Best Practices, Budget Execution, Fiscal Transparency, Fiscal Reporting, Off-Budget Spending, Medium Term Expenditure Framework.

**1. Introduction**

The major challenge faced by many African countries is to enhance the credibility of the budget by reducing the gap between planned and actual spending. According to the Public Expenditure and Financial Accountability (PEFA) framework, which have availed best practices in budget execution as a well-performing public financial management system that ensures the budget is 'implemented in an orderly and predictable manner and there are arrangements for the exercise of control and stewardship in the use of public funds' (PEFA 2005). This thought is not different from CABRI (2008) that views best practices in budget execution as the efficacy of public finance management, which plays a key role in supporting economic growth and development. Poor budget execution can undermine fiscal policy, distort

allocations and undermine operational efficiency (Ablo & Reinikka 1998; Stasavage & Moyo 2000). At the same time, however, overly rigid execution rules can be detrimental to performance (Campos & Pradhan 1996; Blöndal 2003). Asen (2003) availed that for Benue state, Financial Regulations (i.e. a collated book form of financial rules) provide the guidelines and procedures for the collection, custody and disbursement of public funds, whose management if not adhered to via these instructions, may have severe and unpleasant consequences on the execution of a budget. For economists the key issues on budget execution are always whether deficit targets are likely to be met and whether any budget adjustments (both on the revenue and expenditure sides) agreed at the preparation stage (or in-year) are being implemented as planned. Budget execution is concerned with processes and institutions to implement the budget, manage resources, assets and policies, report on resource use as well as ex- poste audit reports. In summary, this entails budget execution, accounting and fiscal reporting. Thus the key questions to be addressed relating to best practices and budget execution in Benue State, which have also translated to the objectives of this paper are

- What are the basic principles of budgeting;
- What are the different stages of the budget execution process;
- Who is responsible for budget execution;
- How can budget appropriations and expenditures be revised during the year;
- What are the problems encountered in budget execution procedures;
- What are the generic issues surrounding the socio-economic environment of budget; Execution in developing economies;
- What is the outlook of Best practices of Budget Execution in Africa;
- What is the outlook of Best practices of Budget Execution in Benue State;
- How good is the information on outturn(output) expenditure;
- How should good governance be pursued;

## **2.0 LITERATURE REVIEW**

### **2.1 What are the Basic Principles of Budgeting?**

Brode(1999), Balogun(2006), Dangin(2007) highlights the following principles

- Comprehensiveness to include all revenue and expenditure of Ministries, Departments and Agencies (MDAs). Comprehensiveness is a prerequisite for transparency, which in turn allows for better accountability (CABRI & SPA Strategic Partnership with Africa (SPA) 2008).
- Accuracy in recording actual transactions and flows
- Annuality to cover defined period of time e.g. one year budget
- Authoritativeness ensures that implementation is in line with appropriate Laws
- Transparency indicates that information on spending is made public, timely and understandable. (OECD 2002; see also Kopits & Craig 1998). Several studies have found that fiscal transparency is associated with improved fiscal discipline, better credit ratings and reduced corruption (e.g. Alesina & Perotti 1996; Hameed 2005; Alt & Lassen 2006). Others argue that citizens and taxpayers are entitled to full disclosure with regard to the management of public money (Fölscher 2002) to ensure participation and accountability in policy processes.
- Predictability establishes stability in the Macro and strategic policy and funding in the short and long term.

Kwaghbullah(2011) in his paper presented to Members-Elect of the Benue State 7<sup>th</sup> Legislature, while citing the reports of Benue State House of Assembly Standing Committee on Finance and Appropriation (FAC) for the years 2008 to 2011 observed that the above budgeting principles are fraught with inconsistencies given the Benue State Fiscal space. He availed that Ministries, Departments and Agencies (MDAs) budget proposal request are a mere wish list with the incentive to ask for more appropriation,

while hoping that after consideration and down-sizing of the request, they might just have enough. This issue conflicts with the principle of accuracy and comprehensiveness. The issues of persistent extra-budgetary spending also exist, which contradicts the principle of predictability. In the Benue State fiscal space, the principle of transparency is also negated by the nagging issue of difficulty in obtaining reliable and timely data especially on cash expenditures, which is always shrouded in secrecy. Low capacity for effective management and control of budget and account procedures in MDAs as well as the general disconnect between fiscal planning and budget execution all tend to affect negatively the principles of budgeting. The principle of annuality of budget is the one that is likely to be met but its processes have been enclosed in open-ended timelines that leads to delay in the passage of the budget into Law.

## **2.2 What Are The Different Stages of The Budget Execution Process?**

Brode (1999); Potter and Diamond (1999) have highlighted the following budget execution process

- Authorization stage; allotment process for money to be spent consistent with legal appropriations
- Commitment stage; when a purchase order is made or a contract is signed to procure goods and services
- Verification stage; ensuring that goods have been delivered as per the agreed terms
- Payment authorization; ordering the payment for the person who has delivered the public good. That is preparing the request for payment
- Payment stage; paying the actual bill
- Accounting stage; transaction recorded in the books as complete and preparing progress report.

These processes are not different in Benue State as revealed by Asen(2003). He availed that no expenditure may be incurred by any officer on any service whether or not included in the approved estimates until he has received an authority to do so, without such authority, any officer who incurs expenditure does so at his sole responsibility and will consequently be held responsible for his action. The extent which these processes are complied with, however, is a matter for discourse in the later part of this work.

Budget implementation is the responsibility of the line ministries and spending agencies, within the regulatory controls set by the Ministry of Finance of Benue State FAC (2011).The Open Budget Survey (2008) Report also highlights same.

## **2.3 How Can Budget Appropriations and Expenditures be Revised During the Year?**

ODI (2005); World Bank (2008) Reports assert that during budget implementation, many countries find that they wish, or need to change the line item appropriations approved by parliament. Some of these revisions are necessary and desirable but excessive switching of budgetary provision between items of expenditure (virement) and excessive use of supplementary estimates cause difficulties and usually indicates a lack of budget discipline and planning. The basic principles to observe according to ODI (2005); World Bank (2008) Reports are that;

- it is better to acknowledge expenditures in supplementaries than resort to “off-budget” transactions or to using suspense accounts. The basic concept that the parliament should approve all expenditures must be regarded as sacrosanct. Any off-budget spending should be considered an illegal act that should be subject to disciplinary action.
- the ministry of finance should exhort line ministries to live within the budget resources allocated to them. This means not giving supplementaries easily but encouraging the switching of resources from lower priority expenditures to provide for new areas of interest.
- supplementaries should be approved only at fixed times of the year, with the best practice been once at the end of (or in some systems immediately after) the financial year in question. In other

systems twice a year use of supplementaries is followed, but more than twice a year presentations of supplementaries indicates a poorly prepared and inadequate budget execution.

In view of the financial Regulations and Section 212(3) of the 1999 Constitution of the Federal Republic of Nigeria, Asen(2003) and Kwagbullah(2011) both consented as regards in-year revision of Benue state Budget estimates that;

- a virement may be issued in circumstances which could not have been foreseen when the annual estimates were framed given that the legal permission is obtained from the legislature.
- a Supplementary warrant may be issued in very exceptional cases, where virement is not possible and where an application for additional provisions reveals such a degree of urgency, which cannot be postponed until a Supplementary Appropriation Act is passed, while noting that the issue of such funds should not cause serious injury to public interest.
- a Supplementary Bill should be laid before the State Legislature to appropriate in areas that need in-year revision and for purposes for which no amount were earlier appropriated by the previous Appropriation Act. Despite these laid out processes, Kwagbullah(2011) did express reservations on the use of these processes by Government officials given the persistent problem of extra-budgetary spending by MDAs.

#### **2.4 What are the Problems Encountered In Budget Execution Procedures?**

The generic problems associated with the budget execution stage according to CABRI (2006), which are also in consonance with those highlighted by Kwagbullah (2011) for Benue State, are as follows;

- The multiplication of exceptional procedures that bypass expenditure control arrangements
- Difficulty in reconciling bank statements with budget accounts and thus obtaining reliable and timely data on cash expenditures.
- The accumulation of payment arrears
- The lack of fund consolidation of accounts, which could cause a relending of government funds to them by commercial banks at a profit
- Difficulty in managing and accounting for Foreign Aids flows which comes with timing lags and several conditionalities (reimbursement principle, donors direct payments to suppliers, special projects accounts domiciled outside regular government accounts, commodity tied aids) associated with these flows
- Difficulty in pursuing good governance

Other additional problems observed for Benue State as cited by Kwagbullah (2011) includes; the accumulation of payments of arrears especially pension and gratuities, which affects productivity of labour; poor debt management strategies; unnecessary delays in Appropriation processes; misapplication of funds; recurrent expenditure ratio crowding out capital votes, which is the nucleus of growth.

#### **2.5 What are the Generic Challenges Confronting Developing Economies in Budgets?**

Developing economies have generic inherent features in their environment that inhibit on the performance of public expenditure. By observations these features are not different from Benue State, which is a subset of the Nigeria State been categorized as a developing nation according to World Bank Report (2008). Schick (1998) cites these features as follows;

TABLE 1: GENERAL FEATURES INHIBITING PUBLIC EXPENDITURE PERFORMANCE

Condition	Impact on Public Expenditure
Poverty	Lack of resources to respond to rising demands or expectations for public services as such a tendency for the budget to be a wish list
Economic Instability	Inadequate slack to crowd-out cyclical shocks and other disturbances. Tendency to have a short-term view of budgeting
Low Revenue Base	Vulnerability to adverse shifts in commodity prices, terms of trade and low access to capital markets
Informal Market Sector	Much economic activity is extra-legal, in disregard of formal rules and regulating weak enforcement
Informal Public Sector	Formal rules concerning civil service, public expenditure and procurement tend to be ignored or violated
Low political Mobilization	Inadequate development of interest groups to express public opinion and monitor government performance

Schick A (1998) A Contemporary Approach to Public Expenditure. World Bank

## 2.6 What is the Outlook of Best Practice and Budget Execution in Africa?

Survey and Preliminary Results of the Country Case Studies on Best Practices of Budget Execution in Africa surveyed by CABRI in 2008 presents literature on several key institutional features that affect the degree of executive flexibility during budget implementation, and on the extent of in-year adjustments. The Collaborative Africa Budget Reform Initiative (CABRI) is a pan-African network of senior budget officials in Ministries of Finance and/or Planning, which is created as a platform for its members to share experiences on budget reform programs and to contribute towards the efficacy of public finance management in Africa. A key factor for the network's ability to achieve its objectives is the availability of comparative information on how budget systems work across the African continent.

The survey gathered information on how central government budget systems for the 26 African countries that participated. Such information cut across the various phases of the budget process. The import of this measure is to allow other interested parties to make informed analyses and research decisions on current practices in budgeting in their specific environments.

It is acknowledged that the medium of data collection for the survey was through online responses from officials of Ministry of Finance of the participating countries. The data gathered was channeled through a peer review mechanism that involved the CABRI Secretariat, the London School of Economics and Political Science (LSE) team and some country experts from each participating country. Thereafter the peer review comments were subjected to response from each of the participating countries. The existence of such a database showcase how budget systems work across a range of countries in Africa

One of the principal ways in which the budget can be changed during the course of the fiscal year involves the cancellation or rescission of spending approved by the legislature. It is worthy to note that budget priorities can be distorted during in-year cuts or adjustments which ensure that the government aggregate spending remains within planned and prudent levels. According to this survey major areas susceptible to off- budget spending based on the questioning that what type(s) of off-budget expenditure exist, had the following response; Tax expenditures, Public.-private partnerships, Off-budget loans, Loan guarantees, Health care funds, Public sector pensions, Higher education funds, Emergency/contingency funds, Donor funds, Stabilization funds, External loans, Military expenditure, Special accounts. Find below the remaining preliminary results or responses of the country case studies surveyed by CABRI

**TABLE 2: Preliminary Results of Country Case Studies by CABRI Survey**

Country/Questions	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11
Benin	N	YMS	YR	N	1	A	Q	YWE	YAM	YAM	N
Botswana	YOR	YMS	YOR	N	3	A	M	YWE	N	YAM	Y
Burkina Faso	YR	YWL	WFA	N	2	C	W	YWE	N	YAM	Y
Congo	YR	YMS	WFA	Y	1	A	Q	NV	N	YAL	N
Ethiopia	YR	N	WFA	Y	1	A	M	YA	N	YAM	N
Ghana	YR	N	WFA	Y	2	D	ES	YA	YAM	YAM	N
Guinea	YR	YUL	WFA	Y	1	A	ES	R	N	N	N
Kenya	YR	YUL	YR	Y	1	A	Q	YA	YALI	YAM	Y
Lesotho	N	YUL	WFA	Y	1	C	ANN	YA	YAM	YAM	N
Liberia	YR	N	YR	N	1	A	M	NV	N	N	N
Madagascar	N	YMS	YR	Y	1	C	Q	YWE	YAM	YAM	N
Malawi	N	YUL	WFA	Y	1	D	M	YA	YALI	YALI	Y
Mali	YR	YUL	YR	N	1	A	Q	YA	YAM	YAM	N
Mauritius	YR	YUL	WFA	Y	1	A	ANN	YA	YAM	YAM	Y
Morocco	YR	N	WFA	Y	Z	A	M	YA	YALI	YALI	Y
Mozambique	YOR	N	YR	Y	1	A	Q	YA	N	YAL	N
Namibia	N	YMS	YR	Y	Z	A	ANN	YA	YAM	YAM	Y
Nigeria	YOR	N	WFA	N	1	C	ANN	R	YAM	YAM	Y
Rwanda	YR	N	YR	Y	1	A	Q	YA	YALI	YALI	N
Sierra Leone	YOR	YWL	WFA	N	Z	A	Q	R	YAM	YAM	Y
South Africa	YR	YMS	WPA	Y	2	D	M	YA	YALI	YALI	N
Swaziland	MS	YMS	YOR	N	4	A	MS	YA	N	YAL	Y
Tunisia	YR	YUL	WFA	Y	MS	A	M	NV	N	YALI	Y
Uganda	YR	YUL	YR	N	3	A	ES	YA	YAL	YALI	N
Zambia	YOR	YWL	YOR	Y	2	A	Q	YWE	N	YAM	N
Zimbabwe	YOR	YUL	YOR	Y	1	A	M	YA	N	N	N

**Source: Adopted from CABRI (2008)**

**NOTE**

Y=Yes; N=No; YR=yes with restrictions; YOR= Yes without Restrictions; MS=Missing; YUL=Yes but only up to a certain limit; YMS= Yes but only for mandatory Spending; YWL=Yes there are no limits on overspending or without legislative approval; WPA= with the Approval of the Legislature; WFA= With the Approval of the Finance Minister; Z= None; 1,2,3,4 = One, two, three, four number(s) of supplementary Budget presented to the Legislature in the course of the Fiscal Year; A=Information on Macroeconomic assumptions, budget priorities, fiscal policy objectives for the medium term, clearly defined appropriations to be voted by the legislature; B= Disclosure on off-budget expenditure and extra budgetary funds, tax expenditures, comprehensive annual financial plans and reporting on non financial performance targets; C= limited types of information on the budget provided to the legislature; D= more comprehensive provision of information to the legislature; W= weekly; M=Monthly; Q= Quarterly; ES= Every six months; ANN= Annually; NV= Never; R= rarely; YWE= Yes in most cases with exceptions(e.g. audits of the Military); YA= Yes Always; YAL=Yes at the Aggregate Level; YAM= Yes at the Ministry Level; YALI= Yes at the Line Item Level. Q1= asked whether the government has the authority to make such in-year cuts, and to what extent; Q2= asked about the possibility of overspending prior to the approval of a supplementary appropriation by the legislature; Q3, = asked countries, whether ministers are allowed to vire or reallocate funds between line items; Q4 =asked about the use of contingency reserves, which provide flexibility to address such urgent spending needs; Q 5 = asked on the frequency of supplementary budgets; Q6= targets 12 types of information, highlighted in both the OECD

and IMF guidelines, which should be included in the budget documentation sent to the legislature; Q7 = asked how often do respondent countries publish information on revenues and expenditures during the course of the fiscal year; Q8 = looks at the public availability of audit reports; Q9 = asked which countries include multi-year estimates in the budget documents that are sent to Parliament for approval; Q10 = sought to find out the existence of Multi-year targets or ceilings; Q11 = which asks about the basis on which extrapolations for multi-year estimates are done.

In order to give an overall comparative assessment of the level of fiscal transparency across the African countries involved in the survey, The Open Budget Index (OBI), produced by the Washington-based NGO the International Budget Partnership, is used, since it is a much more comprehensive measure of budget transparency. The results scored on a 100% basis with a median index of 54% recorded are as follows as per country and OBI Scores:

South Africa 87; Botswana 62; Kenya 57; Uganda 51; Ghana 49; Namibia 47; Zambia 47; Malawi 29; Morocco 27; Nigeria 19; Burkina Faso 14; Liberia 2; Rwanda 0 (International Budget Partnership 2009)

The survey results as depicted above reveal that there remains substantial variation in fiscal transparency across African countries, although several countries appear to publish substantial amounts of fiscal information. In as much as this feat is valued positively, it should also encourage countries that are underperforming in this regard to focus on both producing and publishing better quality budget information, in formats that promote broad access and understanding.

### **2.6.1 Budget Execution**

Based on the CABRI 2008 Survey Report, in the course of budget execution, responses given on controls instituted for extra-budgetary spending included, that overspending without prior approval by the legislature is not allowed; that overspending without legislative approval is only possible up to a certain limit and or for mandatory spending; while others responded that there are no limits on overspending without legislative approval; No country in this sample prohibits virement outright; some countries have no contingency reserve; the majority of countries report that they submit one supplementary budget per year and no country reported more than four supplementary budgets in a given fiscal year. Survey results highlight the great variation in existing practice across the African continent, but they also point to weaknesses in budget execution and expenditure control via the extensive use of supplementary budgets. As mentioned earlier, the opportunities that exist for overspending and reallocations could easily undermine the overall integrity of control mechanisms in the budget process. On the other hand, some of these mechanisms allow space for the flexibility that many African countries need as they budget with scarce resources and subject to numerous uncertainties and shocks.

### **2.6.2 Fiscal Transparency**

Transparency in government finances implies 'openness about policy intentions, formulation and implementation' (OECD 2002). The CABRI 2008 report further states that several studies reveal fiscal transparency to be associated with improved fiscal discipline better credit ratings and reduced corruption. Transparency ensures that there is adequate budget documentation and relevant information sent to the legislature, which most countries in the CABRI 2008 Survey reported that they include information on macro-economic assumptions, budget priorities, and fiscal policy objectives for the medium term planning. This enables a clear definition of appropriations to be voted by the legislature, and a linkage of appropriations to administrative units. With respect to in-year reporting, it indicated that information are produced either weekly, monthly, quarterly, every six months, and annually which also enables significant monitoring during the course of budget execution. Finally, some countries report that they always publish audit findings, which are often done with considerable delays.

### 2.6.3 Off-budget Spending

In normal budget documentation, there exist sometimes a series of categories of government expenditure that are often not subjected to normal budgetary procedures therefore reducing the degree of transparency of fiscal operations, while also creating potential liabilities that can undermine fiscal sustainability. Such categories of expenditure include, among others, social security funds, loan guarantees, public sector pensions and donor funds as stated earlier. The survey results suggest that there are a number of challenges to address integrating off-budget spending into the budget process. Even though some categories of off-budget spending covered in the survey do not apply to many African countries, in those cases where off-budget spending exists its nature is often neither accountable nor transparent. In about half of the cases there is no requirement for legislative authorization of off-budget spending, and information is not included in the budget documentation, based on the survey report. For many African countries, donor funds are a particularly important category of off-budget spending, as they are often channeled directly through donor managed projects or other parallel systems. The reported variation of how donor spending is covered in the budget process is large across the countries surveyed. While Ghana, Kenya, Ethiopia, Mali and Uganda report medium-high coverage of aid flows at different stages of the budget process, in countries like Burkina Faso, Sierra Leone and Mozambique coverage is less consistent and comprehensive. On average, coverage seems to be better at earlier stages of the budget process than during reporting on execution. Some inconsistencies exist between survey results and data reported from other sources, pointing to the fact that this area is one where more work is needed.

**2.6.4 Medium-Term Expenditure Frameworks (MTEFs)** have been promoted across Africa as a 'best practice' approach to bridge the gap between the goals and objectives of medium-term country development strategies and the yearly budget process.

The OECD/CABRI (2002) survey does not allow for an in-depth analysis of the quality and success of Medium-Term Expenditure Frameworks across Africa. A study comparing eight African countries (ODI 2005) included the following key findings:

- a) Strong leadership from the Ministry of Finance, progress in macro-economic and fiscal stabilization, the existence of a basic but integrated financial management system and strong stakeholder involvement help the process of MTEF implementation, even though the MTEF itself can stimulate improvements in the basics of budget.
- b) A key characteristic of successful MTEFs is the existence of a clear budget timetable that allows sufficient time for a strategic planning phase and for the preparation of detailed budget estimates.
- c) Through the provision of a realistic, hard budget constraint, and effective political engagement, the MTEF/budget process legitimizes policy choices, leading to greater credibility of resource ceilings, budget allocations and predictability of funding.
- d) By contributing to greater predictability of policy and funding, an MTEF can provide the basis for quality budget implementation. However, developing and sequencing a performance focus to the budget is not an easy task, and evidence from the case studies indicates that it is difficult to achieve in practice.
- e) A decentralized system of government increases the complexity of resource allocation decisions, but an MTEF can help clarify expenditure assignments and therefore support decentralization efforts.

However, another study by (World Bank 2008) points to two common continuing problems with MTEF implementation across a number of countries. First, the MTEF is often considered as a separate process from the budget, with the result that outer-year projections are regularly ignored in following budget



cycles. Second, the costing sector strategies that are needed for a meaningful policy debate are often absent. Bird (2003); ODI (2005); World Bank (2008)

This preliminary analysis has demonstrated how the survey provides an invaluable source of information for budget practitioners and researchers interested in comparing budget systems across countries. Its extension to other countries or communities and its repetition over time will allow for more significant analysis not only of the evolution of budget practices and procedures, but also of their impact on budget policies and outcomes.

### **3. Analytical Framework.**

The population of the study, which is also the sample size, was drawn from one hundred and twenty (120) budget officials from the eighty-four (84) Ministries, Departments and Agencies (MDAs) of Benue State government. Benue State which is one of the 36 states in Nigeria has an estimated population of about 4.3million people and placed 9<sup>th</sup> based on the statistics of the 2006 census of the Nigerian National Population Commission.

This paper which has adopted the questionnaire methodology formatted after the Collaborative Africa Budget Reform Initiative (CABRI) Survey in 2008, to factor out responses, from the one hundred and twenty (120) State budget desk officials of MDAs in the Benue State fiscal environment. The justification of the use of CABRI 2008 survey format is predicated on the basis that State desk budget officials of all MDAs are charged with budget preparation, evaluation and periodically share experiences on budget reforms and the efficacy of public expenditure management. The dysfunctional nature of budget preparation at the Local Government Areas (that is in cases where a budget exist), has always been embedded with computational and structural problems, this has served as a limiting factor towards its inclusion in the sample size. One hundred (100) questionnaires returned from the population of the study stated earlier, as such representing 83.3% of responses received.

Two (2) sets of questionnaires were administered which revealed preliminary results on the outlook of the performance of best practices of budget execution in Benue State stated hereunder on Table 3 and Table 4 respectively.

3.1 **Outlook on Best Practices Performance of Budget Execution in Benue State**

**Table 3:** Observations of Budget Execution Practices in Benue State

No	Question	Answer	Weighted performance Score (0-100%)
1	Whether the State Government has the authority to make in-year cuts and to what extent	Yes, with restrictions	30
2	What is the possibility of overspending prior to the approval of supplementary appropriations by the legislature	Not possible due to legislative enactment	20
3	Are commissioners allowed to vire or reallocate funds between line items	Yes, with the approval of the legislature	80
4	Is there an existence of a contingency reserve and to what extent does its use provide flexibility to address urgent spending needs	Yes, without restrictions	80
5	What is the Frequency of supplementary budgets	At least once in a year.	60
6	How comprehensive are information included in the budget that is presented to the Legislature	Limited information, just enough to get approval	50
7	How often do the State publish information on Revenue and Expenditure during the course of the Fiscal year	None	0
8	How available are the Audit Reports to the Public	Rarely	30
9	What is the predominant off-budget expenditure that exist	Contingency funds	20
10	Are there multi-year estimates	Yes but at the aggregate level	40
11	Are there multi year targets or ceilings	Yes but at the aggregate level	40
12	What is the basis on which extrapolation for multi-year estimates are done	Estimates are simply adjusted on the basis of official macroeconomic forecast	40
13	What is the likely rating of the fiscal transparency index for the state	Below average	30
	Overall index	Average	40

Source: Author's Computation in 2012

A cursory look at Table 3 has shown an average outturn of budget execution in Benue State at about 40%. This calls for improvement especially in areas of fiscal transparency (i.e. good governance), fiscal reporting, and off budget spending.

**4. How Good is the Information on Outturn (Output) Expenditure?**

A further analysis is made of the effect of the efficacy of fiscal transparency, fiscal reporting as well as off budget spending which are at the heart of any accounting and financial information system, which

maintains the basic records of government transactions and thus outturn expenditures. The efficacy of how well the accounting system is operating was judged indirectly by asking and receiving the following responses documented hereunder in table 4;

**TABLE 4: Table indicating Respondents Responses**

Response Question	A	B	Total
Q1	30%(30)	70%(70)	100%(100)
Q2	40%(40)	60%(60)	100%(100)
Q3	80%(80)	20%(20)	100%(100)
Q4	See responses below		
Q5	80%(80)	20%(20)	100%(100)
Q6	70%(70)	30%(30)	100%(100)
Q7	30%(30)	70%(70)	100%(100)
Q8	20%(20)	80%(80)	100%(100)
Q9	70%(70)	30%(30)	100%(100)
Q10	80%(80)	20%(20)	100%(100)
Q11	30%(30)	70(70)	100%(100)
Q12	60%(60)	40%(40)	100%(100)
Q13	40%(40)	60%(60)	100%(100)
Sex	60%(60)	40%(40)	100%(100)
Age	80%(80)	20%(20)	100%(100)
Exp	80%(80)	20%(20)	100%(100)

**Source: Author's Computations in 2012 with numbers in parenthesis indicating number of respondents.**

Table 4 has indicated the following questions and responses **Q1**=speed of final accounts preparation (Speedy=a or delay=b); **Q2**= Lag in the reconciliation of government budget accounts and the banking system (quickly=a or delay=b); **Q3**=Measurement of the budget execution process (No improvement =a or improvement =b); **Q5**= Pervasiveness of suspense accounts or below the line accounts (frequent=a, rare=b); **Q6**= Pervasiveness of floats or expenditure arrears (frequent=a or rare=b); **Q7**= genuine and independent audit (genuine=a, not genuine =b);**Q8**=Frequency of the audit annual accounts ( frequent=a or Rare=b);**Q9**= Need for Qualified budget personnel (Yes=a or No=b);**Q10**= Operation of a fiscal monitoring unit by Ministry of Finance (Yes=a or No=b);**Q11**= adequate Usage of information by Ministry of Finance (effective usage=a or ineffective usage=b);**Q12**= Existence of feedback mechanism (Yes=a or No=b);**Q13**=Management of Foreign Aids flow (Efficient=a or inefficient=b);**Sex**= Gender of the respondents (Male=a or Female=b);**Age**= Age of the respondents (below 50years=a or Above 50Years=b);**Exp**= Years of experience of the respondents (Below 20years =a or Above 50years=b). The statistics in terms of responses reported for these questions are **Q1**= 30:70, **Q2**=40:60,**Q3**=80:20,**Q5**=80:20,**Q6**=70:30,**Q7**=30:70,**Q8**=20:80,**Q9**=70:30,**Q10**=80:20,**Q11**=30:70**Q12**= 60:40,**Q13**=40:60, **Sex**=60:40, **Age**=80:20, **Exp**=80:20 respectively. **Q4**= on the generic accounting challenges facing the budget execution process, the response recorded were; making marginal adjustments on old budget figures and representing them as new votes, in-year inflation of budgetary votes by contractors without actual costing, kick-backs required before contract commitment papers are signed, contractual agreements entered into with unqualified contractors, poor drafts of contractual agreements, poor monitoring of capital projects, kick-backs received to pass-on finished low quality jobs as standardized, unnecessary delays in contract payments. It is imperative to carryout a Logistic Regression so as to complement the foregoing descriptive analysis. Gujarati (2005) posit that, the Logit

model captures the regressand which is a binary or dichotomous variable that is regressed against other regressors. The use of the Logit regression is adopted because of its wide use in analyzing qualitative data as well as its superiority over other approaches in analyzing qualitative data, since it enables the use of nonlinear estimating procedures via the method of maximum likelihood, while noting that the likelihood function is formed by assuming independence over the observations for the study.

The simplification and log likelihood transformation of the logit model for the purpose of this work is stated hereunder in its structural form;

$$\text{Ln}Q_i = \frac{P_i}{1-p_i} = \beta_0 + \sum_{k=1}^n \beta_k Q_{ki} + U \text{-----Eqn 1}$$

Where;

$\text{Ln}Q_i$  = Natural Log of the dichotomous variable

$$\frac{P_i}{1-p_i} = \text{Odds ratio}$$

$\beta_0$  = intercept

$\beta_k$  =Parameters

$Q_{ki}$  = a set of respondents characteristics

When Eqn (1) is explicitly stated we have;

$$L_i = \frac{P_i}{1-p_i} = \beta_0 + \beta_1 Q_1 + \beta_2 Q_2 + \beta_3 Q_5 + \beta_4 Q_6 + \beta_5 Q_7 + \beta_6 Q_8 + \beta_7 Q_9 + \beta_8 Q_{10} + \beta_9 Q_{11} + \beta_{10} Q_{12} + \beta_{11} Q_{13} + \beta_{12} \text{Sex} + \beta_{13} \text{Age} + \beta_{14} \text{Exp} + e \text{-----Eqn. 2}$$

Where:

$$\frac{P_i}{1-p_i}$$

Measurement of the budget execution process (coded as No improvement=0 or improvement=1)

$\beta_0$  = intercept

Q1= speed of final accounts preparation (coded as speedy=1 Or delay=0)

Q2= Lag in the reconciliation of government budget accounts and the banking system (coded as quickly=1 or delay=0)

Q5= Pervasiveness of suspense accounts or below the line accounts (coded as frequent=1, rare=0)

Q6= Pervasiveness of floats or expenditure arrears (coded as frequent=1 or rare=0)

Q7= genuine and independent audit (coded as genuine=1, Not genuine =0)

Q8= Frequency of the audit annual accounts (coded as frequent=1 or Rare=0)

Q9= Need for Qualified budget personnel (coded as Yes=1 or No=0)

Q10= Operation of a fiscal monitoring unit (coded as Yes=1 or No=0)

Q11= adequate Usage of information (coded as effective usage=1 or ineffective usage=0)

Q12= Existence of feedback mechanism (coded as Yes=1 or No=0)

Q13= Management of Foreign Aids flow (coded as Efficient= 1 or inefficient=0)

Sex= Gender of the respondents (coded as Male=1 or Female=0)

Age= Age of the respondents

Exp= Years of experience of the respondents

Using the e-views 7 software package for the analyses of eqn.2 the following results in Table 5 were obtained;

**TABLE 5: Results Obtained for Analyzing Equation 2**

Variable	Coefficient( $\beta$ )	Std. error	Z-Stats	Prob.	Exp( $\beta$ )
Q1	0.23	0.77	0.296	0.7670	1.26
Q2	0.98	0.71	1.389	0.1650	2.66
Q5	-1.75	0.89	-1.98	0.0481	0.17
Q6	0.85	0.83	1.02	0.3078	2.34
Q7	0.32	0.80	0.40	0.6885	1.38
Q8	-0.84	1.31	-0.64	0.5226	0.43
Q9	1.45	0.88	1.65	0.0985	4.26
Q10	-0.61	0.79	-0.77	0.2203	0.54
Q11	-1.83	1.15	-1.59	0.1131	0.16
Q12	-0.89	0.69	-1.28	0.2005	0.41
Q13	-0.92	0.71	-1.30	0.1935	0.40
Sex	-1.33	0.70	-1.88	0.0597	3.78
Age	0.12	0.09	1.23	0.2203	1.13
Exp	-0.01	0.13	-0.11	0.9164	1.01
C	-4.79	3.50	-1.37	0.1712	120.3
Mcfadden $R^2$ or $R^2_{MCF} = 0.30$ ; LR= 30.4 Prob.(0.0068); Log likelihood = -34.85					

Source: Author's computation 2011

**Note: Dependent Variable (Q3) with Convergence achieved after 5 iterations**

In holding other regressors constant, the partial slope coefficient of each variable is computed which measures changes in the estimated Logit, given a unit change in the value of each of the given regressors.

Preliminary results so documented in Table 5 above reveal that a unit change in the observed values of Q1, Q2, Q5, Q6, Q7, Q8, Q9, Q10, Q11, Q12, Q13 Sex, Age and experience (EXP) will change the average estimated Logit by 0.23, 0.98, -1.75, 0.85, 0.32, -0.84, 1.45, -0.61, -1.83, -0.89, -0.92, -1.33, 0.12 and -0.01 units respectively, while noting that all the coefficients expressed positive relationships with the estimated Logit except Q5, Q8, Q10, Q11, Q12, Q13, Sex and Exp. Note also that all the coefficients are not statistically significant except for Q5. However, a combination of all the regressors has exhibited statistical significance i.e. they are a combined strong determinants of the outturn of the budget execution process. This is given by the Likelihood ratio (LR) statistic of 30.4 with its almost zero probability. The  $R^2_{MCF} = 0.30$  implies that 30% variation is explained by the regressors on their effect on the budget execution process to enhance favourable outturn expenditure given the sampled respondents.

The anti-log or exponential values given as Exp ( $\beta$ ) of all the partial coefficients give a more meaningful interpretation of the documented results. This result is interpreted in terms of the odds ratio or likelihood favoring the occurrence of the activity of a good budget execution process or good outturn expenditure. In this regard a cursory look at Table 5 above, it is documented that the delay in the preparation of final accounts; delay reconciliation between government budget accounts and banking system; pervasiveness of floats or un-cashed checks; un-genuine and independent audit team; unqualified budget personnel with Ministry of Finance; and respondents age do increases, the likelihood favoring the improvement of the

budget execution process will increase by 1.26, 2.66, 2.34, 1.38, 4.26, and 1.13 times respectively. Furthermore, as the level of pervasiveness of suspense accounts or below-the-line accounts; delays in production of annual accounts; delays in setting up a fiscal monitoring unit by the Ministry of Finance; lack of usage of information provided to Ministry of finance to analyze budget for development; unavailability of feedback mechanism to adjust policy in an event of unwelcome developments; inefficiency in management of foreign aids flows; gender ratio favoring men, and years of experience of the respondents increases, the likelihood favoring an improvement in the budget execution process will decrease by 0.17, 0.43, 0.54, 0.16, 0.41, 0.40, 3.78, and 1.01 times respectively.

Note worthy is that as the delay in the preparation of final accounts; delay reconciliation between government budget accounts and banking system; pervasiveness of floats or un-cashed checks; un-genuine and independent audit team; unqualified budget personnel with Ministry of Finance; increases leading to the likelihood favoring the improvement of the budget execution process to increase, this does not meet a priori expectation. This primarily reveals areas of the prevalence of corruption and ethical processes and procedures in the system, towards providing good information on the true status of outturn expenditure in the Benue State execution of its budget. Adequate attention need to be paid on these specifics, aside the generic accounting challenges highlighted in table 4(Q4).

#### **5. Probable Solutions**

- Need to ascertain the degree of budget lock –in that is genuinely non discretionary to give a reasonable picture of the maximum degree of expenditure reduction that can be imposed in any fiscal year.
- Avoid excessive details as Pareto’s rule of 80/20 should be brought to bear when executing a budget as 80% of the issues are in 20% of the items. Identify and focus on the high impact items as you have the discipline to let other items remain lower priority. It is easy to get caught up in reviewing lots of details because it seems more accurate. This discourages thinking hard about the policy/programs and how they can be improved.
- Need to consolidate many of these accounts as much as possible which assist in reconciling problems of idle funds and facilitate budget execution particularly in cash and debt management.
- Reduction in the provisions for other policies and programs to off-set payment for the old stock of arrears while avoiding accumulation of new arrears by genuine strengthening of the expenditure controls. When using the contingency fund to offset arrears of a line ministry, the ministry of finance can as an internal sanction reduce funds to be channeled to the appropriations of the line ministry, so as not to generate a moral hazard problem, where line ministries can again incur arrears in the future with the hope that they can be bailed out by the ministry of finance; finance should strive not to use tax liabilities to offset any arrears as it undermines tax compliance and encourage the future accumulation of arrears; need to establish sources of problems of accumulation of arrears to guide against them
- Need to hire adequate and qualified staff with training and retraining adopted as a strategy for retooling as well as allowing finance adequate time to process these numbers which are just delivered on consolidated basis. Worthy of note is to give special attention to training of female accounting officials.

Efficient management of the float of un-cashed checks is a welcome development

Need for the government to maintain an up-to-date record both of its external liabilities and the timing of foreign inflows due; need to take visits to agencies of the principal donors and discuss with them your main implementation and reporting problems and how procedures can be improved

Imaginative approaches such as delaying the introduction of a planned wage increase or start of a new policy, placing a freeze hiring, prohibitions on international travels as ways of enabling adjustment of expenditures in-year

Need for the ministry of finance to exhibit caution in targeting reductions of votes in certain categories to account for in-year adjustments as line ministries may sometimes leave important bills unpaid or they may make unrealistic reductions in sensitive areas, hoping to embarrass the ministry of finance to releasing more resources.

Kopits and Craig(1998) suggested that Good governance should be pursued where every participant's action is transparent and accountable as well as such action been properly documented and can be subjected to independent, unbiased and professional audit review.

Other good governance criteria according to Barraclough and Dorotinsky(2001) includes: viewing the budget as a complete process; adjust spending at the earliest stage possible; minimize disruptions to the expenditure process; respect the budget system internal and external controls; limit exceptional procedures.

Frequent reports on budget developments should be presented to the Legislature and final accounts should be presented within a year of the end of the fiscal year.

The budget should be subjected to greater public scrutiny and participation.

## **6. Conclusions**

The analysis of the survey results reveals a number of interesting aspects; First of all, the survey highlights the variety of practices and procedures that characterizes African countries. Secondly, and more substantively, the results identify a number of significant challenges for Benue State. The need to increase transparency and address the issue of off-budget spending, for example, is one area clearly in need of attention, more so that many countries as well as Benue State report very few categories of off-budget spending, even though some of them are quite common. In many cases, country responses reveal the lack of availability and comprehensiveness of budget information, which in turn can have a severe impact on accountability.(CABRI 2006), but also undermine coherence and coordination in policy-making (CABRI 2005). The lack of clear policies, better institutional coordination and quality of information flows in aid management, and the weak basis of medium-term budgeting frameworks are additional areas where there are serious shortcomings. A more proactive management of aid flows could bring about significant benefits in terms of 'putting aid on budget', and improve the capacity of the Benue State government to adopt a medium-term perspective (CABRI 2007). Finally, issues related to the solidity of budget execution and audit procedures show room for improvement.

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