

UGSM-Monarch Business Doctoral Research Plan

Budget Approval Lags and Implementation Anomaly:
Impact on the Nigerian Private Sector

PROGRAM:	D.Phil. in Economics
SUBMISSION DATE:	June 11, 2013
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INTRODUCTION

A budget is defined as the estimate of revenue receipts and the expenditure outlay of the Central government over one fiscal year (LeLoup, Dietz, Pápai, L., & Váradi, 1998). In addition, it is a policy instrument that articulates government spending plans for pursuing and delivering economic development objectives. For approximately one decade, there appears to be a lingering concern among major players in the Nigerian Private sector in regards to the uncertainty of budget approval timelines and sub-optimal levels of central budget implementation.

Late submission of budget proposals by the executive arm of government to the National Assembly, and extended deliberation periods by legislators, may be largely responsible for delayed budget approvals. Seldom during the past decade has official budget implementation at the federal level commenced in January of any fiscal year (Ekeocha, 2012). It is difficult or nearly impossible to accurately forecast when the annual government budget will be approved. To illustrate, it took an average of five months and two weeks from presentation to passage and approval of the federal government annual budgets during the last 12 years (MarkMonitor, 2013). Thus, unpredictable budget approval timelines engender uncertainty among economic agents, thereby raising the risk profile of new contracts and investment plans. It makes fiscal planning difficult, and therefore causes inefficient inter-temporal allocation of economic resources across the economy (Thornton, 2008).

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Recent findings by the probe panel of the Federal House of Representatives Committee on Budget and Appropriation revealed that less than 45% of the capital component of the federal government budget was implemented in the past 10 years. Curiously, the emerging pattern showed that close to 65% of the implemented portion of the capital budget was pushed through and reported within the last quarter of each year (Federal House of Representative, 2012). The resulting outcome of this action is simultaneous money supply distortion and the heating-up of the economy.

Admittedly, the private sector relies heavily on the federal government budget to take decisions on critical investment and financing decisions (Ogiogio, 1995). Over the last decade, government spending accounts for 75% of total spending in the Nigerian economy (Ariyo, 1998). This is to a large extent explains why the Nigerian private sector heavily relies on the workings of the government budget. However, poor budget implementation seems to have reached such a record level in 2012 that the Federal House of Representatives threatened to impeach the President for breaching the Budget Appropriation Act. As at the end of third quarter 2012, only 19% of the capital budget had been expended (Nigerian Federal House of Representative, 2012). Essentially, this state of affairs explains the steady slowdown in business momentum and the country's consistent drop in the World Bank's Doing Business rankings (World Bank, 2012).

Combined with shortcomings in infrastructure development and poor structural reforms, budget delays and ineffective implementation of the central budget are increasingly inhibiting productivity and private sector growth in Nigeria (Ademola,

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2012). There is a conjecture that the private sector loses over 25% of its annual investment to policy uncertainty in Nigeria (Nigerian Federal House of Representative, 2012).

There is scant empirical research that has examined the impact of budget approval lags and poor implementation on private sector performance across sectors and jurisdictions. In fact, Omolehinwa (2002) suggested that instead of studies on government budgeting in developing countries depending on the budgetary system or political decision making, studies should be carried out on actual government budgeting practice and its impact on the economy with a view to strengthening the system. Thus, the contemplated research is to examine the following:

1. To examine the existence of budget approval lags and implementation abnormally of the Nigeria's central budget;
2. To provide a mosaic of understanding as to the magnitude of economic cost associated to the historical budget crisis in Nigeria;
3. To generate a conceptual framework that assists in understanding the Nigerian budget crises and create an alternative model for its solution.

It is believed that the scope of this research does not appear to have been completed elsewhere which provides opportunity to contribute original knowledge to the domain of budget administration research.

PROVISIONAL RESEARCH QUESTION

Given the above discourse a provisional research question has been developed as:

“What are the characteristics of a new budgetary model that adequately addresses the inherent lags and inefficiencies presently experienced in the Nigerian budget process as exemplified between the years 2000 through 2012?”

THE RESEARCH METHODOLOGY

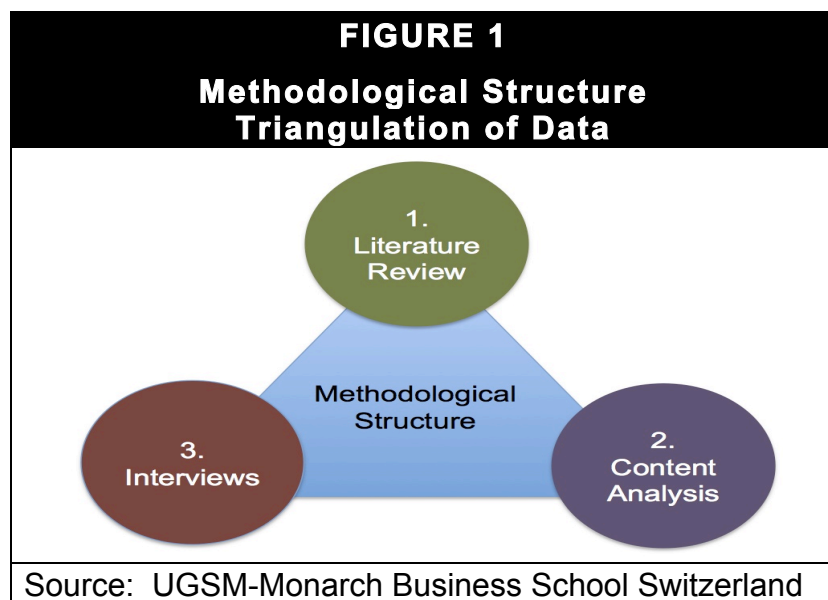
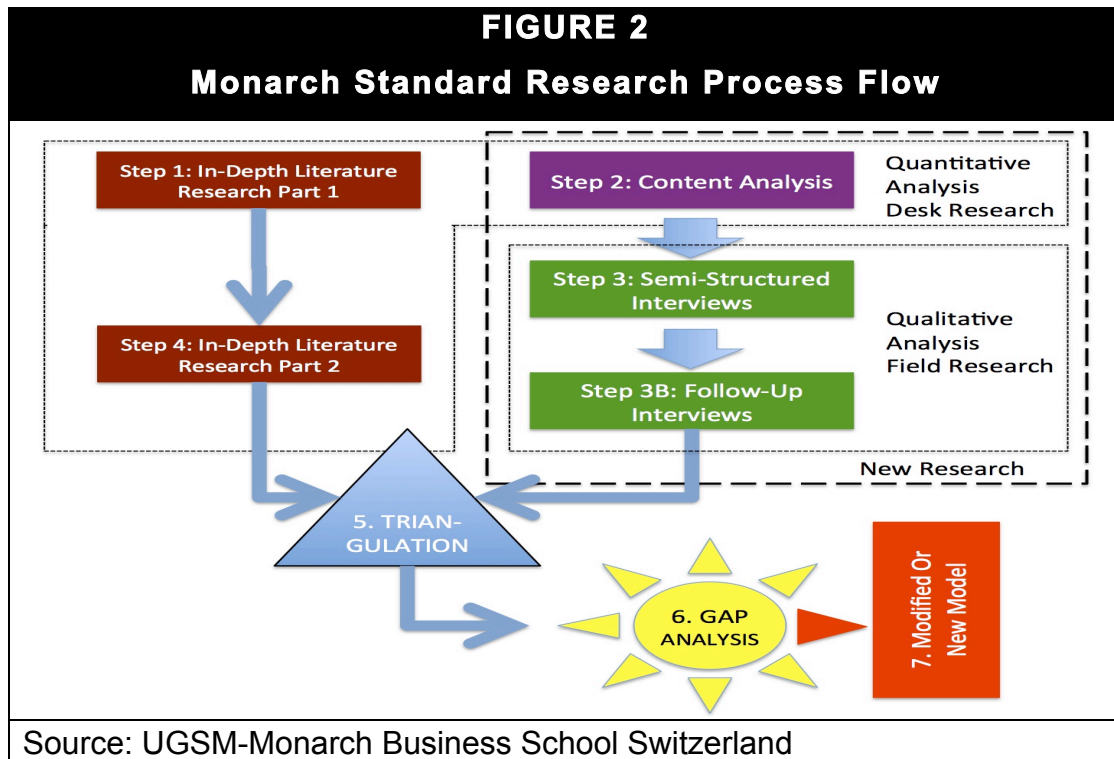


Figure 1 shows that the aim of the contemplated research is to respond to the provisional research question by way of a triangulation of the research data, being: 1. literature review of exiting seminal academic authors (desk research); 2. content analysis of existing corporate data (desk research), and; 3. Interviews with primary stakeholders in industry (field research).

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The study is set to address the policy-related dimension of fiscal uncertainty in the Nigerian context. It investigates the extent budget crisis impact real activities, new contracts and investment plans in the private sector. The remainder of this chapter will explain and defend the research design and highlight the novel aspects of its approach.

Figure 2 illustrates the steps within the Monarch Standardized Research Process Flow that will be followed within the contemplated research, as:

1. **In-Depth Literature Review-Part 1:** In-depth review of the seminal authors within the domain of study will be the first step completed in order to provide a solid academic foundation to the research.

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2. **Content Analysis:** An analysis based on data obtained from annual reports, white papers, supporting commercial documents and other commercial data sources will be examined.

3. **Two-Step Semi-Structured Interview Process:**

Step1. **Preliminary Interviews:** The development of preliminary interview questions will be informed by and synthesized from the review of the literature and content analysis. Stakeholders to be interviewed will be industry participants considered knowledgeable with respect to the research at hand. A minimum sample of thirty (30) unique participants will be interviewed. Interviews will be held in person at a location amenable to the subjects and are expected to be approximately thirty (30) minutes in length. Telephone interviews will be used in the case that physical interviewing is impossible due to resource or time constraints. Interviews will be tape recorded unless objected to by the participant in which case manual notes will be taken.

Step 2. **Follow-Up Interviews:** of a more specific and narrow view informed by the first round of interviews, content analysis and literature review will be concluded with a smaller sub-set of 15 respondents obtained from the first round sample. These interviews will seek to uncover deeply held personal beliefs and understandings on the research subject that will further uncover important aspects in responding to the provisional research question.

4. **Step 4-In-Depth Literature Review-Part 2:** A second more in-depth literature research review will be completed to further refine the scope and consideration of

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the existing knowledge within the academic field to add more expertise and specificity to the research analysis.

5. **Step 5 & 6 - Triangulation of the Data & Gap Analysis:** A triangulation of the data will be considered and analyzed in order to determine whether or not the existing academic knowledge is congruent with the practical application of the field on a commercial basis. The result of this analysis should dictate whether or not a “Knowledge Gap” exists between the academic (theoretical) and the practical (applied) domains.
6. **Step 7: Development of New Model:** Building on the Gap Analysis a thorough analysis of the existing frameworks within the academic domain will be made. This analysis will inform whether or not the existing frameworks sufficiently address the requirement for practical application within the industry and whether or not they may be further improved or modified.

TABLE 3 Provisional Research Timeline													
		Year 1				Year 2				Year 3			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
PART A	Pre-Literature Review												
	Literature Review Part 1												
	Research Plan												
	Chapter 1												
	Chapter 2 & 3												
	Content Analysis												
		Official Submission of Chapters 1, 2, 3 and Slide Presentation To Obtain Authorization To Continue On To Field Research											
PART B	Interviews Part 1												
	Literature Review Part 2												
	Interviews Part 2												
	Data Analysis												
	Chapter 4, 5, 6												
	Manuscript Perfecting												
	Submission												
Source: UGSM-Monarch Business School Switzerland													

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The Contemplated research is expected to conclude over a 36 months period. A breakdown of the time allocation by different phases of the research is outlined in Table 3 above.

TABLE 6	
Research Budget	
Activity	Cost (US\$)
Travel cost	5,300
Hotel/ Lodging Expenses	2,200
Communication	1,700
Software	1,800
Books and Articles Purchase	2,600
Reproduction Expenses - Manuscript	800
Supplies & Related Cost	1,000
Incidental Expenses	600
Total Projected Budget	16,000

The research will be privately funded. No requests for supplementary grants, scholarships, or any assistantship from external sources will be made. The total budget of the project is approximately US\$16,000. No additional resources or funding will be requested of UGSM-Monarch Business School Switzerland. The budget is presently fully funded and research may begin immediately upon approved.

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