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Budgeting in agricultural based Research Institutes and its problems in Nigeria

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ABSTRACT: This report reviews the present system of budgeting in Agricultural based Research Institutes in Nigeria. Highlight of investigations include historical background of the budgeting system in Nigeria, existing budgeting systems, namely rolling plans, windfall budgets, presidential and improved presidential system of budget. This is followed by problems of budgeting, monitoring and its implementation. Findings revealed the problems of budgeting inadequacies including non weighty budgets, absence of focus and budget based solely on aspiration, absence of proper monitoring and disciplinary measure, too many projects with trickling limited fund and complete absence of post-budget analysis to determine trend of events. The end result is very low success rate in budget implementation. It is recommended that activities in any given year should be focused based on available resources, creation of institutional planning and monitoring unit which should be strengthen to report directly to the chief executive officer. Finally the unit should be made up of properly trained personnel.

Keywords: Budgeting, Research Institute, Nigeria.

Introduction

Research information generation is a central foundation in any research and development and panacea to the development of any country. The rational to bring the programme to desired full fusion is usually limited by the availability of funds. However, with availability of fund, such funds must be properly budgeted, allocated, and timely released to various well articulated activities in order to meet targets and objectives (Philips, 1985 and 2000). This will enable such programme achieve the necessary desirable impact.

Unfortunately, budgeting has always been assumed to be arbitrary allocation of fund by the untainted and thus has been the general malaise in our institutions. These institutions are government organizations with define mandate to solve some agro-ecological and geo-political problem of the nation, but many have been unable to achieve their goals due to poor management of both physical and human resources. Some of the reasons are due to poor planning and budgeting in resources management and utilization or adhoc budget planning.

Agricultural production and development has been the main source of revenue by the founding fathers of Nigeria both for domestic and foreign exchange balances (ANON, 1975 and Philips, 1985). Under colonial rule though with small budget, it was well designed to serve the needs of the colonial masters. The budget usually did not take care of the welfare of individual citizens leading to the total neglect of the entire country. However annual budgets were always showing surpluses and a healthy economy. When oil was discovered, the agricultural sector became second to oil and most recently oil has become the only and

sustainable source of revenue for the three tiers of Nigerian Government. When the country's sources of revenue shelved equally, the professionalism in budgeting improved. However, over time loopholes were created due to financial abuses, non-accountability, neglect of other sources of revenue, unplanned commitment of government revenue and unstable government resulting in complete erosion of financial discipline, yearly deficit, and over commitment. The consequences is that the Nigerian budget system failed therefore to fit any definition, thus plugging the government to non-payment of international commitment and total failure of creating an enabling environment for transparent financial discipline and overall growth in productivity of the nation.

The scenario is therefore, a country with abundant natural and human resources were surplus should be order of the day to a nation of poor planning and management, wastage of resources, non-targeting of any programmes and unstable political climate necessary for growth. Thus Nigeria was relegated to a corrupt nation and lost its rightful position as the black giant of Africa economy. Therefore, the purpose of this paper is to attempt to give some.

- historical background of budgets system in Nigeria from pre-independent period,
- Identify and analyze budgeting system of the Agricultural sector with particular reference to research institutes,
- Review the various systems of budgeting currently practiced at research Institute sector and problem therein,
- Relate budgeting in research institute to presidential system of budgeting in Nigeria,
- Make recommendations.

AGRICULTURAL RESEARCH INSTITUTES.

National Agricultural Research System

There are about 28 research and related Institutes with 17 monotechnic colleges, 1 Bank and 1 Insurance Company for Agricultural Research and development under the present Federal Ministry of Agriculture and Water Resources. These Institutes fall under category C of parastatals and so report directory to the Minister responsible for Agriculture through the Department of Agricultural Sciences headed by a Director. In the presence of a Governing Board, the Institute affairs are coordinated by the Board that report to the Honourable Minister for Agriculture. Within the Ministry itself the control of agricultural parastatals falls under the protocol and schedule of the Honourable Minister of State for Agriculture.

Each of the Institutes has specific mandate that addresses the need to improve agricultural production of arable crop, livestock's and fisheries through research, training and development. The Institutes are responsible for the human resources development at junior, middle, and senior and supporting technical cadre. They also generate adaptive technologies to enhance agricultural and economic productivity of the country. Funding for research for both capital and recurrent expenditures is 100% by the Federal Government through the Federal Ministry of Finance. Other sources of funding are through International Agencies for Technical Cooperation as approved by National Planning Commission and foreign affairs department, internally generated revenue, and other donor and consultancy services from private sectors.

From the above aforementioned, it implies that the budgeting and planning in Agricultural based Research Institute is controlled and solely dependant on budgeting system of the Federal Government of Nigeria (FGN).

HISTORICAL BACKGROUND ON BUDGETING

Systematic budgeting and planning for National economy was first recognized and practiced in running of government affairs in Nigeria since 1946 (ANON, 1975). During this period, the plans were formulated not by trained economist but by whoever were then in charge of administration of government. By 1960, more detailed comprehensive and articulated systems were then adopted under a central planning office of the Federal Ministry of Economic Development and Reconstruction (FMEDR) by well qualified professional, and for the first time the budget consider both the private and public sectors, and projects and programmes articulated to economic targets. The targets have both aspirate and overriding factor considerations. These practices lead to production and publication of two national planned budgets 1962-

1968 with capital expenditure of 2.3 billion and 1970-1974 at the end of civil war in 1970 with expenditure of 3.1 billion. In 1975-1976, and 1979-1980 were a continuation of same method of budgeting. Each year budgeting lend itself to experiences and improvement. Innovation for improving the budget was therefore, based on trend analysis and overriding singular priority of commodities responsible for revenue generation to sustained government treasury.

By 1970-1971 budget planning has become very technical in terms of quality and in addition to the FMEDR, a National Economic Advisory Council (NEAC) was created in 1972. The creation of this body representing interest of both Federal, State government and public sectors and headed by the Federal Commissioner for Economic development and reconstruction ensures that in the planning of budget, all sector of the economy namely different tier of government, private sectors, trade unions, chambers of commerce, manufacturer associations, agriculture and professional organization are considered in planning.

The overall improvement is that the budget considered individual citizen and improving their welfare and covered community development, agriculture, industry, electricity, roads, education, health, housing, water supply, transport and applied factors in prioritizing budget based on World Bank standards. Budget therefore, was not the issue of one central body but based on consultation of various sector of the economy. Also while the last two plan budgets based projection on 4% (1962-1968) and 6% (1970-1975), thus new approach was more ambitious with a projection of 9% in an attempt to encourage radical transformation of the economy during the plan period. This improvement gave rise to the third national plan of 1975-1980. It differs from previous plans as follows:

- It avoid problem of unplanned project budget allocation.
- Shortage of funds due to unapproved project implementation.
- Provided for all tiers of Government; State and Federal with known minimum (ceiling) level of resources for implementation of its programmes.
- Provided procedures to reduce abuses in budget implementation.
- Provided procedures to remove unnecessary administrative bottleneck in the implementation of its programmes.
- Appropriate sections were also put in place to be applied to any agency found quilt in abuses, unauthorization and the maintenance of planned budget discipline.

EXISTING BUDGETING SYSTEMS.

Six categories of budgeting and implementation can be identified in the economic development of Nigeria. These are:

Development plan (1946-1970).

This is a budget that is based on the framework of well-articulated account. Its operation covers mainly public affairs to a lesser extent of private sectors of the economy. Its operation ranges for period of 6-4 years with projection for growth expectation and inflationary rate. The source of revenue hinges mainly on agricultural produce.

Development Plan (1970-1988).

This budget is similar to above in most respect and improved upon based on the experiences gained from 1946-1970. However it stresses equally on both the private and public sector of the economy. The plan period was also in sequences of 4 years but the revenue was based on oil and gas production with agriculture contributing less than 10%. This period was the beginning of the problems of aspiration budget.

Development Rolling Plan (1988-1999).

Because of the experiences of the past and the new trend that hinges mainly on problems of abandon projects, contract failures, craze for establishment of new project and unstable government, it was considered that if project roll-over then the budget can flow to enable government achieve set-out polices.

The plan period for rolling is for 3 years such that there is continuity. The revenue source was mainly oil and gas base to the total neglect on internal revenue as tax and agricultural produce.

Political motivated windfall budget

This type of budget was prevalent during Military Government, whereby a military administration on a site visit declares the establishment for example a University, Road projects. These projects run into millions of naira and such budget may exceed total amount for a planned period. This type of budget lack accountability, and is flavored with favoritism and corruption. It is usually treated within the budget office as questionable “special capital budget”, “extra budgetary allocation”.

Presidential Budgeting System

This is the most innovative system of budget which operate from 1999 onward (ANON, 2000). The presidential system of budget differs from all the above as follows.

- There is separation of powers of the three tiers of government
- Legislators have specific and direct role to play in the national budget
- The environment is democratic, open and procedures must be appropriately followed.

Thus it is the president that allocates and prepares the National budget (Federal Ministry of Finance with input from all Ministry, State, Private sector), while the legislators appropriates by approving the allocation in this step-wise manner (Philips, 2000). The budget assumes to fulfill the following conditions.

- The bill for appropriation must be gazetted and published before October of each year as spelt out in the constitution.
- The bill is opened to public hearing for each sector of the economy.
- Bill on budget must be read three times
- The bill becomes an Act for assent for the President to decide within 30 days of presentation. The legislators have the option of two third majority to pass and approve the budget in accordance with the constitution. This system of budget allows for input from all sectors of the economy and has these characteristic.
- Consultation between President and legislators before submission to the house.
- Harmonization of the different lobbied and agreement within parties.
- There are usually no elements of surprises.

Improved Presidential System of Budgeting

The experiences gained on presidential system of government of past Obasanjo civilian administration ensure a workable, implementable and monitorable budget. Five new innovations were introduced under this system;

- Total revenue and expenditure will be decided at the beginning of the plan. There must be ceiling in allocation of fund. Project to be executed must be properly researched with detailed feasibility, expected internal return and sustainability.
- Numerical weight must be attached to government project to indicate priorities. The numerical weight could be based on UNESCO norms (education 26%, health 15%, Agric. 10%, others 49%), trend analysis; best of judgment; model country approach, overriding singular priority.
- Specific expenditure ceiling for each Ministry as part of aggregate breakdown. Hedging and aspiration budgeting is not permissible.
- Each project is expected to have a life span of 3 years projection.
- Recurrent expenditure which is usually grossly under-budgeted must be planned because of problems of over head personnel and maintenance of project.

Methods of Budgeting Preparation in National Agricultural Research Systems (NARS)

The annual budget preparations in NARS usually start in the months of July-August of each preceding year following calls letters from the Parent Ministry of Agriculture, Finance, and National Planning Commission. The call letters are accompanied by series of forms requiring specific information on projects for appropriation. In terms of budget preparation the allocation of financial resource is not based on any serious indicators or trend projections. Preparation is based purely on aspiration. For example if a project was given an appropriation of 2 million in 1999, then in 2000 because of assumption of inflation, 4 million (200% increase) will be expected. There are also no consistent records as within one plan, a budget plan may change several time because of changing call letters and policies from parent Ministry making it impossible to know how amount allocated for the year was articulated and calculated. In actual sense the real budget for the Institute is articulated at phase of prioritization of project after an appropriation. The capital releases were in piece meal, not time bound.

The effect of Presidential system of budgeting can only be seen in providing a ceiling by the National Planning Commission and Ministry of Agriculture.

PROBLEMS IN BUDGET

Implementation of Budget

Three major factors have been identified as responsible for poor budget implementation (Adewumi and Toluyemi, 2000). These are political instability, accountability, commitment and transparency (PACT). The FGN budget over the years have been well articulated by well trained professional but the appropriate strategies and machinery, political will and the individual will to make it work with PACT discipline as a motto is very much lacking (Toluyemi,1995).

Therefore, since the adoption of a national plan for economic development, the problems have been on the increase. The negative aspects are declining Gross Domestic Product (GDP), depreciating value of naira, increased interest rate, oil remains the main source of revenue and increased deficit. However, on the positive value is increase in foreign reserve, declining inflation, improved employment condition.

With the identification of these overall problems and the coming in place of the present democratic government, there is a window of opportunity to produce and implement a tolerable transparent budget.

Budget Monitoring

The monitoring of both project and its execution requires the discipline in utilization of fund but these are usually lacking provided the use of fund does not infringe on defensible civil service financial regulation. There was numerous evidence of project execution outside planned budget for the year. Monitoring report fails to indicate the extent of execution of project both in depth and level of achievable set goals were difficult to score.

The scoring was more difficult for research project but for physical development namely building and any civil work, equipment procurement some level of success were recorded.

Also due to ever changing Government policies targets are usually not attained and quantifiable achievement difficult within a planned year. The study revealed that research has been strangled by civil service bureaucracy, and made research budgeting and planning unrealistic.

Conclusion and Recommendation

In conclusion budget should follow these guidelines

- That in budgeting the number of activities should be very specific,
- reduced in number and within the available financial resources. This is very important to enable achieve measurable targets, avoid the problems of timely releases, poor funding and enable attend continuity of result which will build up to the development of research technologies.
- The institutes' should encourage strict financial discipline to reduce budget deficit, enhance overall GDP and national economic growth.

- The Budget unit must develop a system of assessing indicator and weight rating for any activity within a project. This will enable clear criteria in prioritization of project for approval by the Director.
- The Research Institutes' should set-up a small section for budget planning, monitoring and evaluation that should report directly to the Executive Director. However, for a meaningful unit it must be made-up of properly trained staff, because proper monitoring is a panacea to successful budget planning and implementation (Osisime, 1998).

It is recommended that Research Institutes'

- Adopt wholly the new presidential system of budgeting (Philips, 2000) in line with the directive of its parent Ministry of Agriculture.
- Where a ceiling is given then specific activities that can be realistically achieved should be approved for that year.
- Effort should be made to avoid executing unplanned project no matter the pressure.

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