
The Role of Civil Society Organisations in the Budget Process

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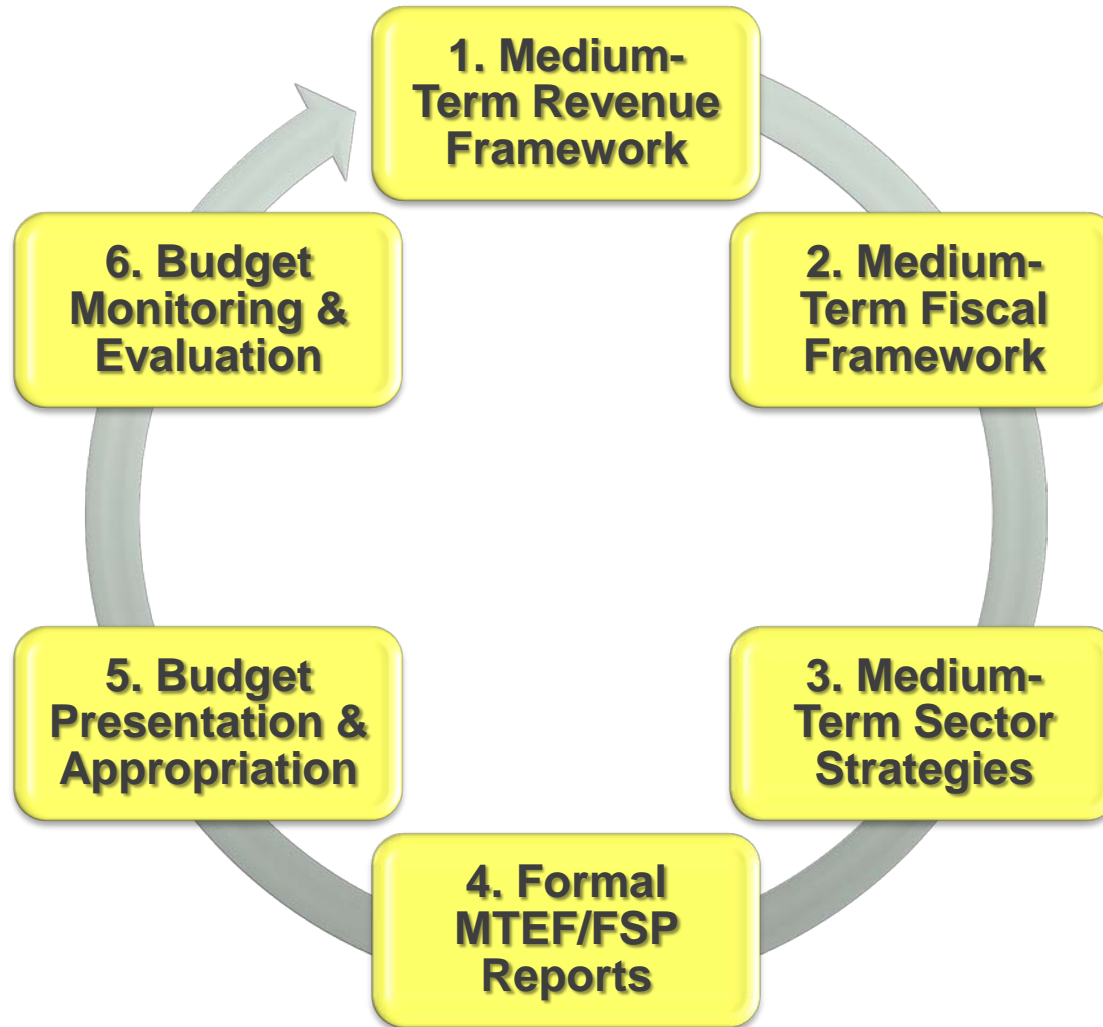
CONSTITUTIONAL & LEGAL FRAMEWORK FOR BUDGETING (1)

- **The Federal Annual Budget:**
 - Policy instrument which articulates government's expenditure plans given reality of limited resources
- **Executive & Legislature have complementary roles throughout the budget preparation process**
- ***Constitution of the Federal Republic of Nigeria (CFRN) 1999, Finance (Control & Management) Act 1958 & Fiscal Responsibility Act 2007* provide mandate & specific roles for FMF & BOF to play in budgeting process**
- **By §§80-82, CFRN 1999:**
 - Mr. President required to submit annual budget proposal to NASS for appropriation at any time during preceding financial year
 - NASS to appropriate expenditure in Appropriation Bill
 - Appropriation Bill duly passed into law upon Presidential assent

CONSTITUTIONAL & LEGAL FRAMEWORK FOR BUDGETING (2)

- **By §§58-59, CFRN 1999:**
 - Mr. President required to signify or withhold assent to Appropriation Bill presented to him by NASS within 30 days
 - Where assent is withheld and Bill is passed by two-thirds majority in each House, the Bill becomes law and Mr. President's assent is not required.
 - **Section 59(4), CFRN 1999:** *“Where the President, within thirty days after the presentation of the bill to him, fails to signify his assent or where he withholds assent, then the bill shall again be presented to the National Assembly sitting at a joint meeting, and if passed by two-thirds majority of members of both houses at such joint meeting, the bill shall become law and the assent of the President shall not be required.”*
- **Other provisions of CFRN 1999, Finance (Control & Management) Act 1958 & Fiscal Responsibility Act 2007:**
 - Provide modalities for preparation & appropriation of money bills
 - Provide fiscal rules regarding the size of the Budget deficit:
 - Institutionalise the modern approach to budgeting adopted by the FGN based on the Medium-Term Expenditure Framework (MTEF)

KEY STAGES & REQUIREMENTS IN ANNUAL BUDGET CYCLE



MEDIUM TERM REVENUE & EXPENDITURE FRAMEWORKS (MTRF and MTEF)

- **MTRF sets the tone for work on the Budget and involves**
 - ✓ Meetings with key agencies to agree macroeconomic data (NPC, BFS, CBN, OAGF, BPE, IER, DMO)
 - ✓ Initial bilateral discussions with Parastatals & Agencies of Govt of 3-year estimates of revenue

- **MTEF sets out expenditure heads and comprises:**
 - ✓ Indicative aggregate expenditure ceilings
 - ✓ Projection of indicative fiscal balance & if a deficit, sources of financing
 - ✓ Aggregate-level preparatory work on main components of expenditure (i.e. Statutory Transfers, Debt Service & MDA Expenditure)

- **Medium-Term Fiscal Framework (MTFF) brings together Revenue, Expenditure & Fiscal Balance aspects of budget preparation work**

MEDIUM TERM FISCAL FRAMEWORK (MTFF)

- The Medium-Term Fiscal Framework (MTFF) is an integrated top-down and bottom-up system of expenditure management designed to:
 - ✓ Achieve macro-economic stability without compromising economic development
 - ✓ Direct public spending to the nation's strategic priorities as articulated in Vision 20: 2020 and MDGs
 - ✓ Assure predictability of funding (define revenue projections)
 - ✓ Improve the value for money of federal spending
 - ✓ Describe fiscal policy objectives and set fiscal targets
 - ✓ Drive macroeconomic targets & projections
 - ✓ Set aggregate expenditure limits for major expenditure heads
 - ✓ Achieve optimal aggregate envelope and allocation of resources across and within sectors
- The outcome document of the MTFF is the Fiscal Strategy Paper.

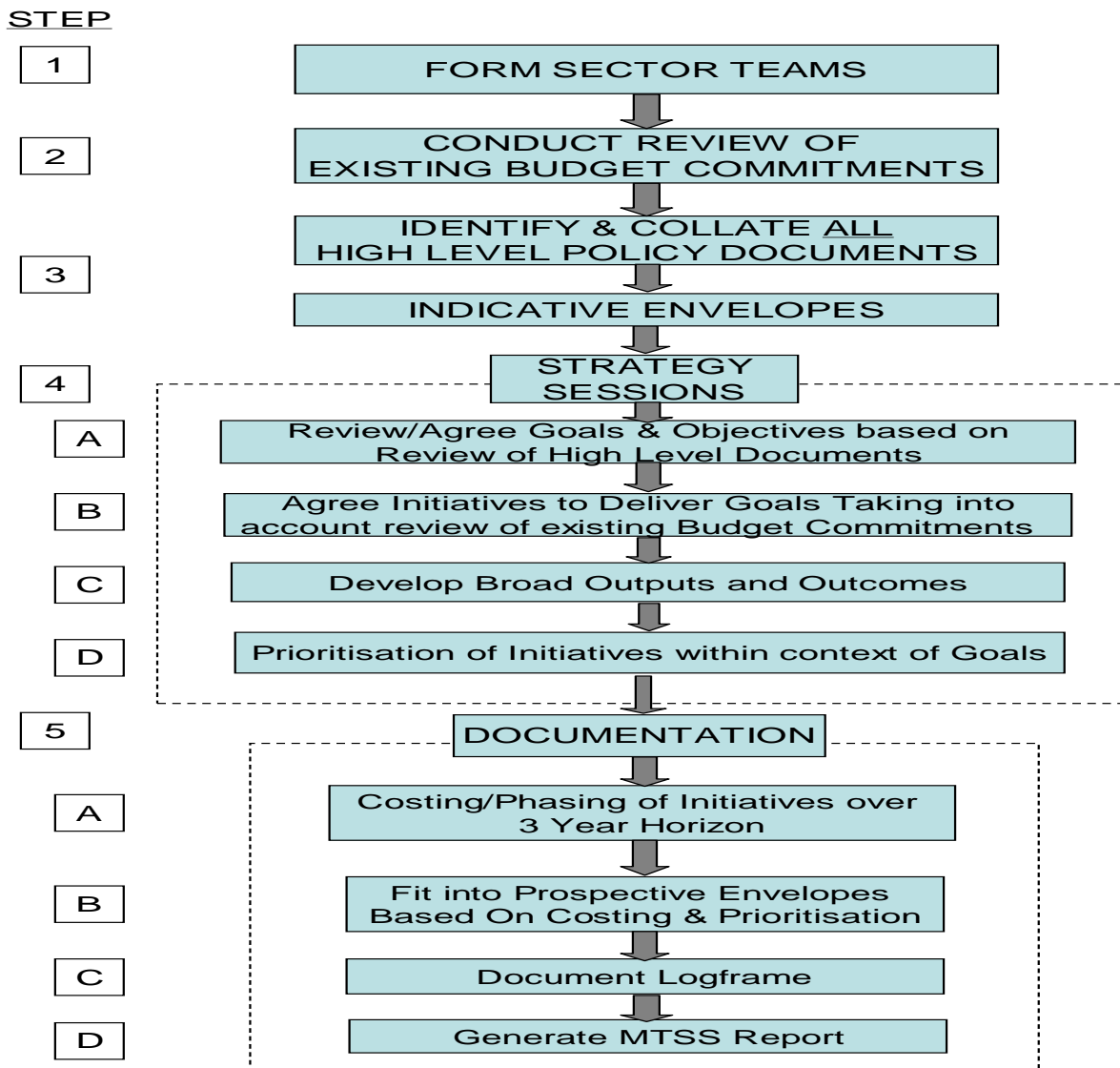
MEDIUM-TERM SECTOR STRATEGIES (I)

- **MTSS has traditionally formed part of the budget planning cycle since 2005.**
- **The MTSS is a forum for large spending MDAs which account for over 80% of the capital budget to align their programmes and projects with national development strategies.**
- **It is a budget planning forum:**
 - Rolling budget over 3-year time horizon for MDAs to plan capital projects.
 - MTSS links annual budgets to Nigeria's Vision 20:2020 1st NIP and MDGs
 - Provides forum for planning rolling expenditure in line with available resources.
- **FMF/BOF gives indicative expenditure ceilings based on MTRF resource ceilings, previous year's budget implementation performance, existing commitments & the priorities of Mr. President.**

MEDIUM TERM SECTOR STRATEGIES (II)

- The stages of the MTSS are:
 - ✓ Review of high level policy documents: Vision 20:2020 and MDGs.
 - ✓ Identify existing budget commitments
 - ✓ Articulate medium-term goals and objectives to achieve the long-term aims
 - ✓ Identify key initiatives (projects and programmes) to achieve such goals and objectives
 - ✓ Define Key Performance Indicators: Link expected outcomes to their objectives and goals
 - ✓ Cost these initiatives
 - ✓ Prioritise and phase the initiatives over a three year period (trade-off within sectors)

MEDIUM TERM SECTOR STRATEGIES (III)



FSP, MTEF and ANNUAL BUDGET

- Under FRA 2007, Budget is to be based on the FSP and MTEF.
- FSP & MTEF presented by HMF to FEC for consideration & endorsement.
- FSP & MTEF also presented to the National Economic Council for consideration and endorsement.
- FSP & MTEF then laid before NASS for approval & shall take effect as endorsed by FEC & upon approval by a resolution of each House of NASS.
- MTEF should cover 3-year fiscal period & contain:
 - A Macroeconomic Framework;
 - A Fiscal Strategy Paper (FSP);
 - Expenditure & Revenue Frameworks;
 - Consolidated Debt Statement & other statements.
- Subsequent to approval of FSP & MTEF and after the MTSS, Call Circular issued to MDAs requesting Budget Submissions and Bilateral Discussions held with large-spending MDAs to prioritise expenditure.
- ❖ BOF/FMF prepares Executive Budget Proposal & other documents required by FRA 2007 and Executive Budget Proposal presented to Mr. President by HMF.
- ❖ Executive Budget Proposal presented by Mr. President to NASS.
- ❖ NASS debates and passes Appropriation into law and Mr. President gives assent.

BUDGET MONITORING & EVALUATION REPORTS

- **Under §§30 & 50 of the FRA 2007, HMF through the BOF to:**
 - Monitor & evaluate the implementation of the Budget
 - Assess the attainment of fiscal targets
 - Track implementation against physical & financial performance targets

- **Full-Year and Quarterly Budget Implementation Reports published online; formal, printed copies required to be sent to:**
 - Finance Committees of both Senate & House of Representatives
 - Fiscal Responsibility Commission

- **Budget Implementation Reports among documents to accompany Executive Budget Proposal when presented to NASS**

- **Budget Implementation Reports place special emphasis on priority capital projects, particularly in the area of critical infrastructure.**

Role of Civil Society (I)

- Each stage in the budget cycle is important and provides civil society organizations (CSOs) with opportunities to influence the outcomes.
- *The Fiscal Responsibility Act 2007* provide mandate & specific roles for FMF & BOF to play in budgeting process; it also defines a part for CSOs:
 - CSOs are represented in the Fiscal Responsibility Commission in charge of enforcing the Act as mentioned in Section 5 (1.b):
 - *“The Commission shall consist of: [...] One member representing:*
 - i. The organised private sector,*
 - ii. Civil Society engaged in causes relating to probity, transparency and good governance,*
 - iii. Organised labour”*
 - The consultative role of the CSOs is mentioned in Section 13(2.a):
 - *“The HMF In preparing the draft Medium-term expenditure framework, the Minister: May hold public consultation, on the Macro-economic framework, the fiscal Strategy Paper, the Revenue and Expenditure Framework, the Strategic, economic, social and developmental priorities of government, and such other matters as the Minister deems necessary: Provided that such consultations shall be open to the public, the press and any citizens or authorized representatives of any organization, group of citizens, who may attend and be heard on any subject matter properly in view”*

Role of Civil Society (II)

- Role in Budget Formulation:
 - Before the MTSS, intervention opportunities for civil society in the formulation process were often informal, based on CSOs initiative and networks, and reliant on departmental and ministerial contacts.
 - The MTSS institutionalised transparency of the Budget formulation; it is the key forum for CSOs to add their input at this stage of the Budget process
 - Team sectors formed at the beginning of the MTSS process include representative of the MDGs Office, National Planning Commission and CSOs
 - CSOs can release analysis on issues known to be under consideration, or that they believe ought to be priorities, with the possibility of influencing the budget being formulated.
 - CSOs can insist that annual budgets are in line with medium term or long term development plans such as MDGs and Vision 20:2020 1st NIP

Role of Civil Society (IV)

■ Role in Enactment:

- ❑ Budget issues receive the most attention, usually when the Executive presents its budget to the legislature
- ❑ This creates opportunities for civil society groups to get media coverage and other attention for their budget analyses.
- ❑ CSOs should comment on budget proposals, influence the debate and highlight important issues about the impact of budget proposals on the poor and most vulnerable in society in line with the MDGs and Vision 20:2020
- ❑ Budget advocacy role by proposing either increased allocation to budget heads and /or reduction/removal of others.
- ❑ Making alternative budget proposals and engaging in legislative deliberations and influence positively the outcome.
- ❑ Helping in tackling some of the budget challenges such as bloated budgets as CSOs are part of the MTSS and they are aware of the real need of MDAs

Role of Civil Society (V)

- Role in Execution:
 - CSOs do have an interest in an effective oversight system that promotes adherence to the budget and reduces mismanagement
 - Groups may advocate reforms to strengthen budgetary control.
 - They may engage in some monitoring activities in an independent oversight role. The Budget Office invites CSOs for its M&E field work through which CSOs can assess whether the government funds allocated for these purposes are being used effectively and have reached the intended beneficiaries
 - This role is key as:
 - Local, State and Federal Governments, as well as contractors, perform better when the community and the nation are watching them.
 - The issue of abandoned projects can be reduced or eliminated totally.
 - Effective project monitoring ensures projects being provided for in the budgets year in year out can be realized and the achievement of the 1st NIP and MDGs

Role of Civil Society (VI)

- To improve the role of CSOs in the Budget Process:
 - **CSOs at the MTSS may not be representative of the entire sector as the point of view depends of the level at which they operate; the need for a consensus view for an entire sector to be represented.**
 - **Capacity Building in terms of:**
 - Developing analytical or advocacy expertise
 - Monitoring and critically report/ challenge the government about the provision and non-provision of public goods
 - Communicating and spreading simplified knowledge about the budget process
 - **Good use of the Freedom of Information Act,2011 :**
 - All institutions spending public funds will have to be open about their operations and expenditure while citizens will have the right to access information about their activities.
 - Whistleblowers who report malfeasance by their employers or organisations will be protected from reprisals.
 - **CSOs support to ongoing PFM reform:**
 - Move towards performance based budgeting where resources will be allocated to achieve specific, measurable outcomes (defined through a process similar to the MTSS)
 - A move towards 4 year capital implementation plan, with ongoing projects being the focus of future budgets; role of CSOs in reporting will be even more crucial.

End Notes

- ❖ The objective of Government is to deliver quality services to citizens within a sound macroeconomic environment.
- ❖ Budget is at the centre of Government's activities and programmes such as the Vision 20:2020 and MDGs.
- ❖ Annual Budgeting process is collaborative, involving both Executive & Legislature, Private Sector, Civil Societies and is grounded in the MTEF.
- ❖ CFRN 1999 & FRA 2007 guide Budget Preparation, Presentation & Monitoring processes
- ❖ Throughout the budget process, the BOF and the Ministry of Finance hold consultations with key stakeholders and Civil societies through forum such as the MTSS
- ❖ In view of the close relationship with Grass Roots, CSOs have a key role to communicate complex programmes and projects of the Government .
- ❖ In achieving their oversight functions CSOs should make the most of legal provisions such as FRA,2007 and the Freedom of Information Act.