Budget Processes and Participatory Budgeting in Nigeria: Lessons from Latin America

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Abstract

Since the return of democratic rule in Nigeria in 1999, efforts at participatory governance have never received the full backing of the ruling class, because they see it as a threat to their collective interest. Thus, opportunities for citizens’ participation in governance in Nigeria have always been limited. One important aspect of governance where citizens have continuously been alienated is on budgetary issues. Budgeting in Nigeria is seen as an exclusive preserve of the executive arm of government, especially as it concerns budget preparation and implementation, with the legislature participating during the approval and audit stages. The only opportunity given to citizens to participate in the process is at the approval stage, during public hearings at the National Assembly. This study examines the budget process in Nigeria, vis-à-vis the imperative of participatory budgeting. It identifies participatory budgeting as the missing link for effective budget governance in Nigeria. Using the Marxist theory of the state as our theoretical framework, and relying on documentary method of data collection based on secondary sources, this study argues that participatory budgeting might be difficult in Nigeria due to the vested interest of the ruling class. It drew examples from Latin America to show that participatory budgeting is the remedy to the myriads of problems being encountered in budgeting in Nigeria.

Keywords: Budget, Participatory Budgeting, Budget Process, Citizens’ Participation, Governance
Introduction
A budget is the principal instrument of fiscal policy used to encourage stable growth, sustainable development and prosperity in the economy. It is a comprehensive document that outlines what economic and non-economic activities a government wants to undertake with special focus on policies, objectives and strategies for accomplishments that are substantiated with revenue and expenditure projections (Ugoh & Ukpere, 2009). In its simplest form, it is the statement of expected income and expenditure over a time period, usually a year, of the government (Ojo, 2012). However, a more comprehensive definition of the concept of budget has been offered by Kwanashie, 2003 (cited in Iguzor, 2011, pp. 4-5). Thus:

The budget is a key instrument for macroeconomic management in most economies and its efficacy determines the success of governments in meeting societal goals. The budget is also a tool for the implementation of social, political and economic policies and priorities which impact on the lives of the population... A budget is a plan and we know that plans depend heavily on information, analysis and projections. A successful budget must be a product of a process that is based on sound and quality information, rigorous impact analysis and an effective feedback mechanism to internalize lessons of past budgets. The budget is an integrated output of a dynamic process in which the connections between the various sectors are critical for its ultimate impact and should be looked at in a holistic manner.

On the part of participatory budgeting, there are divergent opinions regarding the definition of the concept. This is because procedures called participatory budgeting in some places would not get that label in others. Goldfrank (2007) has noted that a broad definition of participatory budgeting usually describes it as a process through which citizens can contribute to decision making over at least part of a governmental budget, and that narrow definitions usually derive from particular experiences of particular budgeting. According to these definitions, participatory budgeting is a process that is open to any citizen who wants to participate, combines direct and representative democracy, involves deliberation (not merely consultation), redistributes resources toward the poor, and is self-regulating, such that participants help define the rules governing the process, including the criteria by which resources are allocated. As a result of these divergent opinions on the meaning of participatory budgeting, therefore, Sintomer et al (2012) have argued that there needs to be a definition that includes a set of minimal requisites to clearly differentiate this participatory procedure from others, while giving sufficient leeway to enable different
specifities. Such minimal definition includes the participation of non-elected citizens in the conception and/or allocation of public finances. Hence, Zhang and Yang (2009) defined participatory budgeting as a process of democratic policy-making in which the government invites citizen inputs during the budget process and allow their influence in budget allocations. According to Wampler (2007), participatory budgeting is a decision-making process through which citizens deliberate and negotiate over the distribution of public resources. Participatory budgeting programmes are implemented at the behest of governments, citizens, Non-Governmental Organisations (NGOs), and Civil Society Organisations (CSOs) to allow citizens to play a direct role in deciding how and where resources should be spent.

Budget is a veritable vehicle not only for propelling national growth and development, but also for stimulating participatory democracy. This explains why most cities in Latin America have imbibed the culture of involving their citizens in the budget process. Apart from giving the citizens the opportunity to identify and prioritize the projects and programmes they need for the fiscal year, this participatory practice also makes them feel they are part and parcel of the government, thereby deepening democratic culture in the society. However, in Nigeria, budgeting is seen as an exclusive responsibility of the executive arm of the government, with the legislature participating at the approval and audit stages. They assume better knowledge of the problems and priorities of the citizens more than the citizens themselves, and as such, completely sideline them in the preparation of the budget and in its implementation too. But as the experiences of Latin American cities have shown, participatory budgeting is the solution to most of the problems associated with budgeting. Some of these problems include corruption, poor and selective implementation, and extra-budgetary spending.

Non-participation of the citizens in the budget process in Nigeria creates the circumstances whereby projects and programmes that do not have direct and positive impacts on the citizenry are captured in the budget and subsequently implemented. More importantly, as a result of the citizens’ non-participation in the process, they lack the capacity to either monitor or influence the implementation of the budget. Accountability, which is the hallmark of participatory budgeting, is subsequently lost.

This study examines the processes of budgeting in Nigeria, vis-à-vis the imperative of participatory budgeting. It argues that with the nature and character of the Nigerian state, it is
unlikely that the ruling class in Nigeria would allow the practice of participatory budgeting in the country. With examples drawn from Latin American experiences with participatory budgeting, the study argues that citizens’ participation in budget processes is the panacea to the series of problems being encountered in the budgeting system in Nigeria.

The study is grouped into eight sections as follows: Introduction; Theoretical Framework; The Budget Process in Nigeria; Open Budget Survey and Nigeria’s Budgetary System; The State and Budget Processes in Nigeria; Lessons from Latin America; Participatory Budgeting as a Panacea for Effective Budget Governance in Nigeria; and Conclusion.

**Theoretical Framework**

We adopted the Marxist theory of the state as our theoretical framework. This theory, in essence, views the society as divided into two main classes: the minority ruling class, who controls both the economic and political power of the society, and thus, dominates and exploits the governed, the dominated and exploited working class, who have neither economic nor political power, and who are in the majority. The state in this society mainly functions as an instrument of class domination, with which the ruling class protects itself and exploits the working class. However, one major problem about academic analysis of the Marxist theory of the state is that neither Marx nor Engels methodically analyzed the theory in any of their major works. Nevertheless, in most of their works, they have made different comments and statements which constitute the fabric of the theory of the state. In the *Manifesto of the Communist Party*, both Marx and Engels have likened the state to political power, which is merely the organized power of one class for oppressing another. They averred that the executive of the modern state is nothing but a committee for managing the common affairs of the whole bourgeoisie. It is the organizing committee of the ruling class, an instrument through which the ruling class coordinates and exercises its rule of the other classes, and thereby maintains its status as the ruling class. The state (along with its police, military and bureaucracy), therefore, is fundamentally an instrument of class domination. It is used by the bourgeoisie to exploit the common people, that is, the proletariat. The core idea of this theory is that the state is used as an instrument for the fulfillment of interests of a particular class or section of society.
Marx and Engels viewed the origin of the state from a materialist standpoint. The state emerged as a response to the division of society into classes, occasioned by the rise of private property. The owners of property felt insecure as to its protection and needed a super power which could provide protection ultimately. This is because a conflict has arisen between it and the other class without property. In order to subjugate the class without property and secure itself and its properties adequately, property owners created a force within society and this force ultimately assumed the status of the state. Engels, in his *The Origin of the Family, Private Property and the State*, remarked that the state was not imposed on the society from outside. It is rather, a product of the society itself. According to him, “the state is, by no means, a power forced on society from without”. Rather,

> It is a product of society at a certain stage of development; it is the admission that this society has become entangled in an insoluble contradiction with itself, that it is cleft into irreconcilable antagonisms which it is powerless to dispel. But in order that these antagonisms, classes with conflicting economic interests, might not consume themselves and society in fruitless struggle, a power seemingly standing above society became necessary for the purpose of moderating the conflict, of keeping it within the bounds of order; and this power, arisen out of society but placing itself above it, and increasingly alienating itself from it, is the state (cited in Borisov & Libman, 1985, p. 54).

The state, therefore, emerged to protect the class interest of the bourgeoisie. The class interest of the bourgeoisie is to provide security to the owners of wealth or owners of means of production, as well as the continued subjugation and exploitation of the proletariat through imposition of taxes and by the purchase of their labour power. The bourgeoisie control the economy, therefore, they control the state. The state, in this theory, is an instrument of class rule.

On this note, therefore, the reluctance of the ruling class in Nigeria to introduce participatory budgeting or to carry the masses along in the budget process can be explained using the Marxist theory of the state. The budget is the most important instrument of economic policy of the state. It contains details about how revenue for the fiscal year is generated and allocated. It is, therefore, very crucial to the ruling class for it to be allowed for the masses to dictate its form and content, especially how the money is to be spent. This is because the ruling class has always depended on the budget to corruptly enrich themselves or to settle members of the class, at the detriment of the masses. The scandal currently rocking the House of Representatives over the
“padding” of the 2016 Budget is a classical example of how the ruling class, over the years, has been using the commonwealth for personal aggrandizement, while the masses suffer. The seeming misunderstanding among some members of that class arose out of disagreement about the sharing formula, which will eventually be settled among themselves, because through the state, the ruling class normally resolves intra-class conflicts. The masses are the eventual loser.

This theory also suggests that the reason the masses cannot be allowed to participate in the budget process is because it is through the budget that the ruling class allocates wealth, which is their main instrument of dominance on the masses, to themselves. Without this wealth, it will be very difficult for the ruling class to exert their dominance on the society. Therefore, the budget is too important to them to be allowed for the citizens to dictate and direct its course. For the ruling class, encouraging participatory budgeting, therefore, is like one arming his own enemy or signing one’s death warrant.

The Budget Process in Nigeria

The budget process is about events and activities in the budget cycle involving the determination of resources and their uses for the attainment of government goals (Parliamentary Centre, 2010). It is a system of rules governing the decision-making that leads to a budget, from its formulation, through its legislative approval, to its execution and evaluation (Ekeocha, 2012). The budget cycle itself is a year-round process involving formulation (establishing budgetary policies, parameters and allocation priorities) by the executive, legislative approval by the Parliament, implementation involving Government Ministries, Departments and Agencies (MDAs) and even Civil Society Organizations (CSOs), and evaluation and audit including the role of the Auditor-General. Essentially, most countries follow the same processes in their budget administration. Figure 1 shows the different stages of the budget cycle.
In Nigeria, the budget (referred to as the Appropriation Act) is a shared responsibility of both the executive and the legislative arms of government. It is introduced by the executive, approved by the legislature, signed into law by the President (executive), implemented by the executive, and implementation monitored by the legislature and other relevant agencies of the executive through budget oversight. In an ideal situation, all these processes are made open and public participation in all the stages is taken for granted. However, in Nigeria, most of these processes are not made open, active public participation is not also being encouraged. The openness of the budget process is determined by the extent to which important budget documents are made available to the public or how transparent the process is, while public participation is determined by the degree to which the government provides opportunities for the public to engage in budget processes.

At the planning or formulation stages of the budget in Nigeria, it is the responsibility of the Budget Office of the Ministry of Finance to develop the budget in accordance with the Federal Government’s fiscal policy. The Budget Office meets early in the fiscal year with key revenue generating agencies (including the Federal Inland Revenue Service, Nigerian Customs Service and the Nigerian National Petroleum Corporation) as well as key economic agencies (including National Planning Commission, National Bureau of Statistics, and Central Bank of Nigeria) to assess and determine trends in revenue performance and macroeconomic indicators and the implication of such trends for the next three fiscal years. This discussion leads to the preparation of a Medium-Term Revenue Framework (MTRF) pursuant to which projected revenue from
various oil and non-oil sources is determined over the medium-term. Following this determination with respect to revenue, the Medium-Term Expenditure Framework (MTEF) is developed outlining key areas of expenditure (statutory transfers, debt service, MDAs’ Expenditure) as well as the projected fiscal balance. If this fiscal balance is a deficit, sources of financing this deficit are also considered. MDAs’ expenditures comprise both capital and recurrent expenditures (Ekeocha, 2012).

Once the MTEF and MDAs’ expenditure ceilings have been approved by the Federal Executive Council, the Budget Office, under the supervision of the Minister of Finance, issues a “Call Circular” instructing the MDAs to allocate their allotted capital expenditure ceilings across their existing and new projects, programmes and other initiatives. MDAs are also required to submit estimates of their recurrent expenditure requirements for personnel costs and overhead. The Budget Office evaluates and consolidates the submissions of the various MDAs and prepares the draft budget, which is further presented to the President for approval by the Minister of Finance. The President then presents the draft budget, with other supporting documents, to the National Assembly, usually at a joint sitting of the Senate and the House of Representatives, for scrutiny and approval.

At this stage of the budget process, there is hardly any room for public participation, as the activities at this stage are conducted within the executive. The citizens are not given the opportunity to make inputs into the formulation of the budget, neither is there a forum for engaging with them to determine their priorities for the fiscal year. It is mostly an executive affair.

The second part of the budget process starts with the legislature. The budget is considered separately by the House of Representatives and Senate of the National Assembly in accordance with the legislative practice and procedures, mostly through the Appropriation Committees. It is mostly at the public hearings conducted by these Committees that public participation in the budget process is highest. At this stage, the public is not only encouraged to participate during sittings/meetings of the Committees, but also to submit memoranda. They also participate during budget defence by the respective MDAs. The two chambers of the National Assembly eventually harmonize their drafts and the recommendations of the various committees are considered and collated. The harmonized budget is approved separately by each chamber of the
National Assembly, after which it is presented as the Appropriation Bill to the President for assent. Once the President assents to the Appropriation Bill, it becomes an Act of Parliament.

The third stage of the budget process is the implementation stage. The implementation of the budget is carried out by the various MDAs of the federal government. Funds for capital projects are released on a quarterly basis to the relevant spending MDAs in line with what is allocated to them in the budget. As the implementation progresses, monitoring and oversight functions are carried out by the different organs of government responsible for that. Ekeocha (2012) has enumerated these governmental organs to include the Ministry of Finance, the National Planning Commission (NPC), the National Assembly, the National Economic Intelligence Agency (NEIA), the Presidential Monitoring Committee (PBMC), the Offices of the Auditor General of the Federation and the Accountant General of the Federation. However, actual inspection of the capital projects is carried out by the Ministry of Finance; the National Planning Commission and the National Assembly.

At this stage of the budget process, the citizens are mere onlookers. With the exception of contractors who bid for contracts during the implementation stage, the citizens are neither aware of when funds are released by the Ministry of Finance to the respective MDAs nor do they have any mechanism for monitoring the implementation of the budget, except of course, through the oversight function of their representatives at the National Assembly.

The fourth and final stage of the budget process in Nigeria is the evaluation or auditing stage. The office of the Auditor-General of the Federation and that of the Accountant-General, as well as the National Assembly, play the most prominent role here. The Accountant-General of the Federation is required by law to prepare and submit to the Auditor-General at the end of each financial year the Annual Financial Statements showing fully the financial position of the Government on the last day of each year. The Projects Audits Department of the Office of the Auditor-General is charged with the responsibility of monitoring and evaluation of Federal Government’s capital projects, capital releases and implementation of Government budget thereof. Other Departments in the Office handle other aspects of the audit work. The Auditor-General at the end of the financial year, also submits to the National Assembly, the audited accounts of the Government, for its scrutiny. This is in accordance with Section 85(2) and (5) of
the Constitution of the Federal Republic of Nigeria, 1999 (as amended). At this stage also, there is no mechanism for the public to participate in the budget process.

**Open Budget Survey and Nigeria’s Budgetary System**

An understanding of the analysis of Budgets in Nigeria by the International Budget Partnership (IBP) indicates that Nigeria’s budgets are not only devoid of public participation, but are also lacking in openness and transparency. IBP uses the Open Budget Survey (OBS) to conduct assessments of the extent of openness and the level of public participation in national budgets all over the world. The OBS uses three indices to measure the overall accountability of the budget system. These include the Open Budget Index (OBI) or Transparency, Public Participation, and Oversight. Transparency, participation and oversight are, therefore, the three pillars of budget accountability. Transparency is an important condition for ensuring that a full budget discussion and appropriate budget monitoring is able to take place. It is not, however, a sufficient one. Creating the conditions under which governments are consistently held to account for managing public funds efficiently and effectively also requires establishing meaningful opportunities for citizens and civil society to participate in the budget process; and requires strong formal oversight from the legislature and the national audit office, or what the IBP refers to as ‘Supreme Audit Institution’ (SAI).

According to the International Budget Partnership (2015, p. 11):

> Budget transparency, public participation in the budget process, and strong formal oversight institutions need to work together to create a robust budget accountability ecosystem. Without comprehensive budget information, formal oversight institutions and civil society cannot monitor budget policy design and implementation. Without adequate access to formal and informal spaces to influence the budget, the public is not empowered to expose government decision makers to a diversity of views to help ensure that budget policies are based on full information and reflect national priorities. Finally, without adequate authority, scope, and resources, formal oversight institutions cannot effectively carry out their mandates and ensure that public funds are collected and spent in the manner that was intended.

On public participation, the OBS assesses opportunities available to the public to participate in national budget decision-making processes. To measure public participation, the OBS assesses
the degree to which the government provides opportunities for the public to engage in budget processes. Such opportunities should be provided throughout the budget cycle by the executive, the legislature, and the supreme audit institution (SAI). The IBP survey has also shown that out of the twelve indicators used to measure public participation in the budget process, six are non-existent in Nigeria. Of the six that are in existence, one is strong, two are weak, while three need further strengthening, as shown in Table 1.

Table 1: Indicators of Public Participation in the Budget Process in Nigeria

<table>
<thead>
<tr>
<th>S/N</th>
<th>Indicators of Public Participation</th>
<th>Status</th>
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<tbody>
<tr>
<td>1</td>
<td>Formal requirement for participation</td>
<td>Exists but is weak</td>
</tr>
<tr>
<td>2</td>
<td>Articulation of purposes for public participation</td>
<td>Exists but is weak</td>
</tr>
<tr>
<td>3</td>
<td>Communication by the SAI of audit findings beyond publication of audit reports</td>
<td>Does not exist</td>
</tr>
<tr>
<td>4</td>
<td>Mechanisms developed by the executive for participation during budget planning</td>
<td>Exists but can be improved</td>
</tr>
<tr>
<td>5</td>
<td>Public hearings in the legislature on macroeconomic budget framework</td>
<td>Exists but can be improved</td>
</tr>
<tr>
<td>6</td>
<td>Public hearings in the legislature on individual agency budgets</td>
<td>Exists and is strong</td>
</tr>
<tr>
<td>7</td>
<td>Opportunities in the legislature for testimonials by the public during budget hearings</td>
<td>Exists but can be improved</td>
</tr>
<tr>
<td>8</td>
<td>Mechanisms developed by the executive for participation during budget execution</td>
<td>Does not exist</td>
</tr>
<tr>
<td>9</td>
<td>Mechanisms developed by the SAI for participation in audit agenda</td>
<td>Does not exist</td>
</tr>
<tr>
<td>10</td>
<td>Feedback by the executive on use of inputs provided by the public</td>
<td>Does not exist</td>
</tr>
<tr>
<td>11</td>
<td>Release by the legislature of reports on budget hearings</td>
<td>Does not exist</td>
</tr>
<tr>
<td>12</td>
<td>Feedback by the SAI on use of inputs provided by the public</td>
<td>Does not exist</td>
</tr>
</tbody>
</table>

Source: Extracted from IBP (2012, p. 4).
From the above table, it is obvious that a better part of the budget process in Nigeria is conducted without the participation of the citizens, giving credence to the fact that there is a deliberate attempt by the ruling class to continue to alienate the masses from participating in the process.

On Transparency, the OBS uses standard indicators to measure the extent of the openness of national budgets. These indicators are used to assess whether the central government makes the eight key budget documents available to the public in a timely manner and whether the data contained in these documents are comprehensive and useful. These eight key budget documents include: Pre-Budget Statement; Executive’s Budget Proposal; Enacted Budget; Citizens Budget; In-Year Reports; Mid-Year Review; Year-End Reports; and Audit Report.

The table below shows the budget documents the government of Nigeria made available to the public in 2015.

Table 2: Availability of Budget Documents in Nigeria in 2015

<table>
<thead>
<tr>
<th>S/N</th>
<th>Description of Document</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Pre-Budget Statement</td>
<td>Published Late</td>
</tr>
<tr>
<td>2</td>
<td>Executive’s Budget Proposal</td>
<td>Published</td>
</tr>
<tr>
<td>3</td>
<td>Enacted Budget</td>
<td>Published</td>
</tr>
<tr>
<td>4</td>
<td>Citizens Budget</td>
<td>Published</td>
</tr>
<tr>
<td>5</td>
<td>In-Year Reports</td>
<td>Published Late</td>
</tr>
<tr>
<td>6</td>
<td>Mid-Year Review</td>
<td>Produced for Internal Use</td>
</tr>
<tr>
<td>7</td>
<td>Year-End Report</td>
<td>Published</td>
</tr>
<tr>
<td>8</td>
<td>Audit Report</td>
<td>Produced for Internal Use</td>
</tr>
</tbody>
</table>


According to the IBP 2015 Survey, the Government of Nigeria has been inconsistent in which documents are made publicly available in a given year. Since 2012 (when the last OBS, before that of 2015, was conducted), Nigeria has increased the availability of budget information by publishing the Citizens Budget; improving the comprehensiveness of the Executive’s Budget Proposal; and improving the comprehensiveness of the Enacted Budget and the Year-End Report. However, the government has decreased the availability of budget information by failing to publish a Pre-Budget Statement and In-Year Reports in a timely manner. Moreover, the government has failed to make progress by continuing to produce both the Mid-Year Review and
the Audit Report for internal use only, and not making them available to the public. Table 3 shows Nigeria’s scores in transparency and public participation indices in the OBS of 2015.

Table 3: Open Budget Index in Nigeria in 2015

<table>
<thead>
<tr>
<th></th>
<th>Transparency</th>
<th>Public Participation</th>
</tr>
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<tbody>
<tr>
<td>Nigeria</td>
<td>24%</td>
<td>25%</td>
</tr>
<tr>
<td>Global Average</td>
<td>45%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Source: Extracted from IBP (2015, p. 72)

From the table above, Nigeria scored 24% in the Transparency Index, which was substantially lower than the global average score of 45%. This indicates that the Government of Nigeria provided the public with minimal budget information. In the Public Participation Index, Nigeria scored 25%, meaning that the government was weak in providing the public with opportunities to engage in the budget process. This is the same as the global average score of 25%.

The State and Budget Processes in Nigeria

Here, we argue that due to the nature of the Nigerian state, and the vested interest of the ruling class, it will be very difficult for the ruling class to allow the masses to participate in the budget process. This is because it is through the budget that it allocates wealth to its members. This wealth is its main instrument of class domination, without which it will be very difficult for it to exert its dominance on the society. Therefore, the budget is too important to the ruling class to be allowed for the citizens to dictate and direct its course.

From the preparation stage, through the approval and implementation stages, to the audit stage, budgeting in Nigeria has always been bedevilled by issues bothering on high level corruption and favouritism by those who control the state and its instruments of coercion, poor and selective implementation, extra-budgetary spending, flexing of muscles and show of power between the executive and legislative arms of government to determine who is in charge of the national resources and how they ought to be allocated. In fact, according to Akindele and Ayeni (2012), the legislative and executive organs of government as key decision makers on the budget have not lived up to expectation due to the unwarranted problems of role and powers misconception and flexing of political muscles. In the process, the issues of funds, its allocation and control
have been expediently politicized. These are some of the problems in budgeting that participatory practices can help overcome. As argued by Avritzer, 2002 (cited in Sintomer et al, 2012), participatory budgeting reduces clientelism and helps to fight corruption.

However, being a class-divided society, where the ruling class maintains its dominance and status from the resources it expropriates from the commonwealth, it is unlikely that the Nigerian state would encourage participatory budgeting. In order to maintain its status as the ruling class, the bourgoiesie needs wealth, which is either gotten from the exploitation of the masses through the purchase of their labour power and imposing of taxes on them using state apparatuses, or by enriching themselves further by feasting on the commonwealth through the budget. Thus, every budget cycle is seen as an opportunity for political patronage by the ruling class: rewarding supporters, associates, and clients, through the award of obviously inflated contracts, and budget “padding”. The scandal currently rocking the House of Representatives about the extra-legislative allocation of huge sums to some principal officers is a case in point.

The point being made here is that as long as the state continues to serve and protect the interest of the ruling class in Nigeria, and as long as the budget remains a veritable source of wealth to the ruling class with which they maintain their status in the society, they are unlikely to allow the involvement of the masses in the budget process, especially in budget preparation and execution. The reason is not far-fetched: participatory budgeting connotes transparency, probity and accountability, and these are anti-thetical to the foundations upon which the ruling class is based. Sintomer et al (2012) have argued that when it is well designed and implemented, participatory budgeting is a powerful instrument in the redistribution of wealth towards the poor, and consequently helps to mitigate inequalities, as the Latin American experiences have shown. This is one major reason why the ruling class in Nigeria will be very reluctant to allow participatory budgeting to take root in Nigeria. This is because allowing the redistribution of wealth is tantamount to digging their own graves.

**Lessons from Latin America**

Latin America is by far the most important continent for participatory budgeting (Sintomer, et al, 2010). This is because the mechanism was invented there, starting from Porto Alegre, a Brazilian
municipality, before spreading to the other parts of the continent and other continents as well. Wampler (2007) has argued that participatory budgeting is transferable to other locations, especially in developing countries, where clientelism and social exclusion are everyday realities.

In this section, we examine the practice of participatory budgeting in selected cities in Latin America, with a view to extracting the lessons inherent in the practice of the system in that continent. However, emphasis is laid on Porto Alegre, the capital city of the State of Rio Grande do Sul, Brazil, since it is widely regarded as the cradle of participatory budgeting.

Participatory budgeting began in the municipality of Porto Alegre in 1989 (Wampler, 2007). In 1988, the Workers Party, a left-wing progressive political party founded during the years of the 1964-85 military dictatorship, won the mayoral election. Its campaign was based on democratic participation and the reversal of decades-long trend in which public resources were spent in middle and upper-class neighbourhoods. Participatory budgeting introduced by the Workers Party was intended to help poorer citizens and neighbourhoods receive larger shares of public spending. During its first two years in office, the new administration experimented with different mechanisms to tackle financial constraints and provide citizens with a direct role in the government’s activities. Participatory budgeting was born through this experimental process. In this first two years of the new administration (1989 and 1990), fewer than 1,000 citizens participated in the process. By 1992, the number had jumped to nearly 8,000. After the Party was reelected in 1992, the programme took a life of its own with participation increasing to more than 20,000 citizens a year (Wampler, 2007).

Brautigam (2004) has argued that participation by poor citizens in budgetary decision-making can lead to sharp increases in the reach and coverage of essential services, particularly to the poor, as the Porto Alegre experience has shown. In this municipality, the citizens selected the items they wanted to be in the budget, participated in allocating resources to them, and tracked the implementation during the execution stage, thereby ensuring that the government did not deviate from what was on paper. The process began with the Workers Party organizing two rounds of assemblies to gather demands of individual citizens and mobilize the community to select regional delegates who would engage the Mayor’s technical offices over the demands gathered from the people, and these are embedded in the budget that the Mayor’s office presents
to the Chamber (or legislature). This has proven to be a very effective way of increasing the level of budget implementation. As The World Bank reported:

Between 1989 and 1996, the number of households with access to water services rose from 80% to 98%; percentage of the population served by the municipal sewage system rose from 46% to 85%; number of children enrolled in public schools doubled; in the poorer neighborhoods, 30 kilometers of roads were paved annually since 1989; and because of transparency affecting motivation to pay taxes, revenue increased by nearly 50% (cited in Brautigam, 2004, pp. 658-659).

This impressive increase in the level of budgetary implementation in Porto Alegre was made possible because of citizens’ involvement in the budget process. The idea of the citizens identifying the items they needed to be in the budget and their capacity to monitor their implementation ensures accountability, transparency, and the establishment of a budgeting system that works for the masses, not just the elites.

Whatever the challenges and the limits of Porto Alegre participatory budgeting may be, it has been taken as a model to copy or to adapt in many places. According to Sintomer, et al (2010), there were fewer than 40 experiments claiming the participatory budgeting label in the 1993-1997 period, around 100 in 1997-2000, and nearly 200 in the 2001-2004 period. Beyond Porto Alegre, some of the biggest Brazilian cities, along the line, got involved. The cities include Sao Paulo, Belo Horizonte, Recife, and Belem. Participatory budgeting also expanded to smaller towns in more rural areas, especially in some parts of Rio Grande do Sul. Of special importance was the introduction of participatory budgeting at the state level in Rio Grande do Sul after the Workers’ Party’s electoral victory in 1998. However, this was short-lived because the party was defeated in 2002. After some of the cities where participatory budgeting has been earlier introduced had new leadership around 2004, the system was discontinued. However, in Porto Alegre, participatory budgeting had taken a life of its own. The new leadership had no choice than to continue with it. With time, participatory budgeting has become a relatively stable feature of many progressive and modern local administrations in the country, far beyond the influence of one single party.

Beyond Brazil, this mechanism had won over many people in Latin America by the turn of the millennium. Ten years on, it has become one of the most popular instruments of citizen participation: between 400 and 900 cities have introduced participatory budgeting in Latin
America (Sintomer, et al, 2010). It first inspired Brazil’s neighbours, Uruguay and Argentina where some important experiments soon began in some major cities such as Montevideo (Uruguay’s capital), Rosario and La Plata (two cities in Argentina). It also influenced participatory budgeting movements in other cities such as Bueno Aires. Some later years, it was introduced in Paraguay and Chile. In Peru, national laws introduced in 2003 made participatory budgeting compulsory, both at the regional and municipal levels. These laws obligate all regional, provincial, and district governments to promote citizen participation in the formulation, debate, and ‘concertation’ (or agreement) of their development plans and budgets through the creation of coordination councils and through public assemblies (Goldfrank, 2007). As a national policy, participatory budgeting is still nascent in Peru, though a number of local governments implemented participatory budgeting reforms before passage of national laws in 2003. In particular, Peruvian cities of Ilo and Villa El Salvador were remarkably successful in their practice of the mechanism. This is particularly because the efforts were locally initiated.

In other Latin American countries like Ecuador and Guatemala, the development of participatory budgeting has been less impressive. In fact, Guatemala in particular is one of the Latin American countries that have probably seen the least success with the mechanism. According to Goldfrank (2007), the main problem preventing the effective functioning of participatory budgeting in Guatemala is the apparent lack of genuine commitment on the part of national leaders, who seem to have adopted participation laws largely under pressure from international organisations. Also, in addition to lacking sufficient funds, municipal governments also lack qualified personnel. These factors undermine participatory budgeting processes.

In Bolivia, a national Law on Popular Participation was adopted in 1994, together with other decentralization reforms. But its implementation varies widely from one place to another (Sintomer, et al, 2010). Institutions designed at the national level have been modified (or rejected) by local authorities in the country, based on local conditions, with widely ranging results (Goldfrank, 2007). In Colombia, the experiments started later, but are developing and a national network was created in 2008. In Venezuela, some experiments were launched, but have since been replaced by a new form of citizen participation – the communal councils – which share some similarities with participatory budgeting. This new mechanism developed impressively under the Chavez government.
As a whole, there are some obvious lessons emanating from Latin America’s experience with participatory budgeting. It has greatly increased citizen participation in decision-making in those countries that practice it, and this has increased over the years. Moreover, low-income people, especially women and youths, tend to be more involved and very active than others. From the experience of Latin America, the mechanism has also given the floor to those who had always been outsiders in the political system, by the real empowerment of the civil society, especially the working class. Relationship between the political system and the civil society has also greatly improved. Clientelism has largely been overcome and corruption has been made more difficult, leading to a better government. Finally, in the cities and districts where it has been practiced, participatory budgeting has brought about the reorientation of public investments towards the most disadvantaged districts.

**Participatory Budgeting as a Panacea for Effective Budget Governance in Nigeria**

In this section, we argue that participatory budgeting is the panacea to the myriads of problems being encountered in Nigeria’s budgeting system, borrowing from the experiences of Latin America. Our contention here is that citizens’ participation in budgetary processes engenders high level of budget performance, by ensuring that the excesses of the ruling class in the process are curtailed. There would not have been the need to agitate for inclusiveness in the budget process if not for the need to ensure that the budget meets the aspirations of the citizenry, instead of serving the narrow interest of the few members of the ruling class. If the citizens are not involved in the process, there is little likelihood that the implementation of the budget will satisfy the yearnings of the populace. This is because, in the first instance, the government, having sidelined the citizens during the preparatory stages of the budget, might not deem it necessary to stick to what is on paper during implementation. Second, the citizens, on the other hand, can only engage or task the government on budget implementation only if they see themselves as part of the process. This can only be the case if they had been involved in the processes from the early stages. The relationship between citizens’ participation in the budget processes and the level of budget implementation has been established by CIRDDOC (2008, pp. 3-4). It noted, *inter alia*, that:
Budget formulation and implementation are two different things. Budgetary allocations do not automatically translate to accurate spending or implementation. At the levels of formulation, the technocrats and the bureaucrats are the ones involved mostly in capturing the needs of the people. To compound the already terrible situation, only about 40 to 60 percent of the budgets are implemented, and most of these do not follow due process. There are questions such as, when were the funds released, on what items were they utilized, and by whom, on what terms and for what purpose?... Essentially, the participation of the people in the entire budget process ensures probity, transparency and accountability, which will bring about good service delivery to the people. The merits of citizens’ participation in the budget process cannot be overemphasized. It offers them opportunity to contribute to the debate on allocation of resources, prioritization of broad social policies and monitoring of public spending.

In other words, participatory budgeting creates opportunities for citizens to understand and relate to the budget as an instrument for influencing and monitoring service delivery and government performance, creating an environment where citizens can make demands both on how money is generated and how it is utilized. Since the masses are involved in prioritizing the projects and programmes, as well as in their implementation, the question of extra-budgetary spending, poor and selective implementation, corruption and unnecessary fight over supremacy between the executive and the legislature, will be reduced to the barest minimum.

Folscher (2007) has argued that citizens’ participation in the allocation and use of local public funds can enhance development outcomes, for several reasons. The first is that citizens have the best knowledge of their needs, their preferences, and local conditions. Their participation in budget decision making makes it more likely that available funds will be used to deliver the goods and services most needed. Participation, therefore, contributes to better public policy and better policy implementation. Second, citizens’ participation in the budget process improves accountability. When citizens are engaged in planning, funding, delivering, and monitoring public goods and services, officials become more accountable for the choices they make on behalf of citizens, and as a result, corruption is less likely to occur and effectiveness and efficiency increase. Third and finally, participatory budgeting has the potential to improve the quality of democracy. This is because it is a form of direct democracy that allows for a more meaningful democratic relationship between citizens and government than that provided by representative democracy. Without this kind of participatory democracy and the pressure it
exerts on the leadership, governments rarely fulfill the promises they make during campaigns, let alone implementing the budgets as they are on paper.

So, the importance of opening up budget processes for public involvement cannot be over-emphasized. It enables the public to hold government officials accountable: scrutinize budget activities; gauge the extent to which spending is supporting social and economic commitments; and restrict opportunities for governments to hide unpopular, wasteful and corrupt spending. Budget processes that include inputs from the public are widely perceived as more legitimate, with transparency enhancing credibility with citizens, investors, and donors. Transparency is a key condition for ensuring that loans from international financial institutions are well-managed. It is one of the factors considered by financial regulators and investors in estimating financial risk, and it lowers borrowing costs in international financial markets (CIRDDOC, 2012).

In a complex society like Nigeria, one of the best ways to encourage citizens’ participation in budgetary processes is to encourage the involvement of the civil society. While advancing the case for civil society participation in the budget process, Krafchik (2005) noted that in most countries, public budgeting has long been considered the exclusive preserve of the executive, and that it is only recently that the value of opening budget processes to non-governmental input has been considered desirable in some countries. He further outlined a set of powerful negative myths the ruling class continues to use to constrain the participation of the civil society in budget works. They include:

i. Budgets must be formulated in secret or they may upset financial markets

ii. Non-government intervention can destroy the integrity of the budget envelope

iii. Legislators and civil society have a greater interest in advancing the interests of their constituents as opposed to the interests of the country as a whole

iv. It is the government’s mandate to produce the budget internally in a closed process, and its prerogative for it to be rubber-stamped by the legislature.

He observed that a closer look suggests that many of these ideas are closer to myths. For instance, budget secrecy may encourage market speculation, while greater transparency may actually smooth market adjustment to known policy choices.
Corroborating the above assertions, Igbuzor (2011, p. 6) noted that:

…budget secrecy will encourage speculation while transparency will make known the policy choices which will make it easier for investors and business people to make more informed decision. The assumption that non-government intervention can destroy the integrity of the budget envelope cannot be sustained because budget by definition is a plan based on certain assumptions whose integrity is not caste in stones. Non-government intervention brings in fresh perspectives that cannot be discountenanced. The view that legislators and civil society will pursue interests opposed to the common good challenges the whole concept of representative democracy and popular participation. The appropriate response cannot be exclusion from the process especially as there is no guarantee that the executive will not pursue a narrower interest.

The importance of inclusiveness in budgetary processes cannot, therefore, be over-emphasized. It has been documented that wherever participatory budgeting is implemented, it has expanded citizenship, empowered excluded groups, redefined rights, deepened democracy and stimulated civil society. These were the views expressed by Matovu (2006), who argued that it is through participatory practices that democratic traditions find genuine expression and allow for efficient and sustainable all-inclusive decision making and administration. He noted that the major challenge facing this new paradigm is creating a critical mass of principal actors with changed mindsets and attitudes to appreciate the fact that participatory governance, and in particular, planning and budgeting has the potential to significantly improve the quality of local administration. In line with the above assertion, Langa and Jerome (2004) regretted that budgets are still considered the exclusive preserve of government and budget processes remain closed to external participation. They noted that participatory budgeting could be an important tool that can be used to encourage active citizenship, where people at the local level are directly involved in the transformation and development of their community. They opined that there is need to institutionalize participatory budgeting, especially at the municipal level, to encourage active citizenship.

With these obvious benefits of participatory budgeting outlined above, it is, therefore, safe to say that citizens’ participation in the budget processes is the panacea to the problems being encountered in the budgeting system in Nigeria. The practice will drastically reduce the incidence of corruption, as well as mitigate the clientele-patronage practices inherent in the system. It will also minimize abuses such as selective implementation of budgets and extra-
budgetary spending, since the citizens will not only participate in its drafting, but will also actively monitor its implementation. The practice in Nigeria will also ensure that only projects and programmes that have direct impact on peoples’ lives are budgeted for. This will reduce the incidence of governments embarking on white elephant projects that only serve the interest of the ruling class, since it is from such projects that they corruptly enrich themselves. Finally, the practice of participatory budgeting in Nigeria will put an end to budget “padding”.

Conclusion

This study examined the budget process in Nigeria, vis-à-vis the imperative of participatory budgeting. It identified participatory budgeting as the missing link for effective budget governance in Nigeria. Using the Marxist theory of the state as our theoretical framework, it argued that participatory budgeting might be difficult in Nigeria due to the vested interest of the ruling class. It drew examples from Latin America to show that participatory budgeting is the remedy to the myriads of problems being encountered in budgeting in Nigeria.

References


