BUDGET ALLOCATION AND THE INCIDENCE OF POVERTY IN NIGERIA

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Declaration

I declare that this thesis is based on a study conducted by me, ATAMA YOHANNA YUSUF, in the Department of Management Sciences, Salem University under the Supervision of Dr D.O. Olopade. This thesis has not been submitted elsewhere for the award of a degree. The ideas and views of the research work are products of research undertaken by me. Where the ideas and views of other authors/researchers have been expressed, they have been duly acknowledged.

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Certification

The thesis, BUDGET ALLOCATION AND THE INCIDENCE OF POVERTY IN NIGERIA, meets the regulations governing the award of M.Sc. in Management (Accounting option), Department of Management Sciences of Salem University, Lokoja.

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DEDICATION

I dedicate this thesis to God Almighty my creator, my strong pillar, my source of inspiration, wisdom, knowledge and understanding. He has been the source of my strength throughout this program and on His wings only have I soared. I also dedicate this work to my wife and daughter; Patience Atama and Zoe Zenariya Agweragen Yusuf who has encouraged me all the way and whose encouragement has made sure that I give it all it takes to finish that which I have started. To my brother Moses Garkuwa, Samson and Marcus, who have been affected in every way possible by this quest.

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ABSTRACT

This study examined the relationship between budget allocation and poverty rate in Nigeria. The objective was to investigate the relationship between federal government budget to key sectors of the economy and poverty rate. The required data were sourced from Central Bank of Nigeria (CBN) Statistical Bulletin from 2003 to 2017. The study modeled Nigeria poverty rate as the function of budget allocation to health, budget allocation to education, budget allocation to agriculture and budget allocation to transport. The Ordinary Least Square multiple regressions with econometric view were used as data analysis techniques. Co integration test, Granger Causality Test, Augmented Dickey Fuller Test and Error Correction Model were used to examine the variables and its relationship to the dependent variables. The study found that budget allocation to health, education and agriculture have negative and insignificant relationship with poverty rate while budget allocation to transportation have positive but insignificant effect on poverty rate. The stationarity test proved presence of stationarity at first difference, the co-integration test indicates the presence of long run relationship and the granger causality test prove no causal relationship among the variables. The study concluded that budget allocation reduce poverty rate in Nigeria. It therefore recommended, among others, that budget should be fully implemented to reduce the incidence of poverty in Nigeria.

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CHAPTER ONE
INTRODUCTION

1.1 Background to the Study

Over the past decades, the Nigeria's public sector spending has been increasing in geometric term through government various activities and interactions with its Ministries, Departments and Agencies (MDAs). Although the general view is that public expenditure, either recurrent or capital expenditure, notably on social and economic infrastructure can be growth-enhancing, the financing of such expenditure to provide essential infrastructural facilities (including transport, electricity, telecommunications, water and sanitation, waste disposal, education and health) can be growth-retarding (for example, the negative effect associated with taxation and excessive debt). The size and structure of public spending will determine the pattern and form of growth in output of the economy. The structure of Nigerian public expenditure can broadly be categorized into capital and recurrent expenditure. One of the main purposes of government spending is to provide infrastructural facilities and the maintenance of these facilities requires a substantial amount of spending. The relationship between government spending on public infrastructure and economic growth tends to be an important analysis in developing countries, most of which have experienced increasing levels of public expenditure overtime (World Development Report, 2014). Expenditure on infrastructure investment and productive activities (in State-Owned Enterprises) ought to contribute positively to growth, whereas government consumption spending is anticipated to be growth-retarding (Josaphat & Oliver, 2016). However, economies in transition do spend heavily on physical infrastructure to improve economic welfare of the people and facilitate production of goods and services across all sectors of the economy so as to stimulate rapid growth in aggregate output.

The prosperity of any nation is largely determined by the efficiency with which national resources are allocated and utilized. In fact, all countries and governments have to mobilize resources appropriately and sufficiently, allocate and utilize their resources responsively and efficiently to meet the national goals (Djurović-Todorović & Djordjevic, 2016). Budgeting invariably provides the most rational, legal, and acceptable basis for resource mobilization and allocation to national strategic areas and priorities in order to meet the macroeconomic objectives (Josaphat & Oliver, 2016). This is why the development of a nation's budget is considered the government's single most important instrument of development in any given year (Government

Finance Officers Association (GFOA) 1999; National Democratic Institute (NDI), 2003). Besides, the budget document is the mechanism through which government establishes its economic and social priorities, sets the direction for the entire economy, determines who gets what and when, as well as provides funds to implement new initiatives/policies (Bengali, 2016). It is therefore suggestive that without the instrumentality of budgeting, resource mobilization and allocation could be characterized by political frictions and inadequate socio-economic development. It is not surprising that all nations including Nigeria have embraced budgeting as their main development instrument and have approached the attainment of the nation's socio-political and economic transformation from the perspective of budgeting, among others (Adubi & Fajingbesi, 2015).

Fundamentally therefore, the budget process and management should be targeted at addressing the major challenges of government, of which poverty reduction is critical. Poverty reduction remains one of the most difficult developmental challenges facing the world today, as a significant proportion of the population is considered absolutely or relatively poor (Ogwumike, 2015; Salawu, Ayanwale & Ajobo, 2016). Available statistics reveal that out of the estimated 6.9 billion world's population, about 1.5 billion live on less than US $ 1 per day, with Africa contributing over 250 million of the world's total poor population (Abiodun & Uffort, 2016; Central Intelligence Agency. Consequently, Africa remains the poorest continent in the world, as all African countries, except South Africa, are said to be in poverty (Feridun & Akindele, 2015). Paradoxically, Nigeria, being one of the most resource-endowed nations in the world, is considered to be one of the poorest countries in the world. Statistics also reveal that about 70.2% of Nigerians live on less than $1 a day, while about 90.8% live on less than $2 a day (National Bureau of Statistics, 2011). This is not only paradoxical but also indicates that Nigeria is far from meeting the millennium development goal (Egbide, 2015).

Expectedly, poverty reduction has taken the centre stage in national and global development agenda, as exemplified by Nigeria's National Economic Empowerment and Development Strategy (NEEDS), the United Nation's Millennium Development Goals (MDGs) and Vision 20:2020 (Centre for Democracy and Development 2008; National Planning Commission, 2009). While they are relative agreements on the causes of poverty, the solution seems intractable. Although the use of the budget as a tool for economic management and poverty reduction has long been institutionalized, the economic crisis of the 1980s exacerbated the poverty situation and gave poverty reduction the needed attention in the development agenda of the nation

(Egbide, 2015). This fiscal policy strategy is in tandem with the global best practice which emphasizes the effective management of a nation's budget as a veritable process for economic growth and poverty reduction.

It is important therefore, to note that effective management of a budget is paramount in alleviating or at least, reducing poverty. Effective budgeting or sound budget management in its simplest form connotes well-planned and implemented public spending strategies that promote technical efficiency, allocative efficiency and equity. In other words, it is the budget process that is characterized by fiscal discipline and efficiencies in both operational and allocative dimensions. Discipline entails adherence to budgetary rules and limits, efficiency demands that budgetary allocations must be coherent with the priorities of government (Egbide, 2015). Therefore, any budget outturn that is devoid of the three policy objectives of discipline, efficiency and effectiveness does not qualify as a sound budget instrument, and may not promote socio-economic development. The lack of the basic ingredients of sound budgeting in most African countries, including Nigeria, has justified the description of their budgetary performances as disappointing and provides the explanation for the paradoxical socio-economic indices of Nigeria with high incidence of poverty in spite of her resource endowment (Egbide, 2015).

Interestingly, the size of government spending and its effect on poverty reduction, and vice versa, has been an issue of sustained interest for decades. The relationship between government spending and poverty reduction has continued to generate series of debate among scholars. Government performs two functions- protection (and security) and provisions of certain public goods. Some scholars argue that increase in government spending on socio-economic and physical infrastructures encourages economic growth. For example, government spending on health and education raises the productivity of labour and increases the growth of national output. Similarly, expenditure on infrastructure such as roads, communications, power, etc, reduces production costs, increases private sector investment and profitability of firms, thus fostering economic growth (Egbide, 2015).

From the foregoing, it is therefore expedient to examine critically the components of sound budget management and how they relate to and impact on poverty reduction in Nigeria. By and large, this study is focused on discussing the impact of budget allocation on the incidence of poverty in Nigeria with specific focus on Nigeria's federal annual budgets.

1.2 Statement of the Problem

In Nigeria, government spending has continued to rise due to the huge receipts from production and sales of crude oil, and the increased demand for public (utilities) goods like roads, communication, power, education and health. Besides, there is increasing need to provide both internal and external security for the people and the nation. Available statistics show that total government expenditure (capital and recurrent) and its components have continued to rise in the last three decades. Unfortunately, rising government spending has not translated to meaningful growth and poverty reduction, as Nigeria still ranks among the poorest countries in the world. Coupled with this, is dilapidated infrastructure (especially roads and power supply) that has led to the collapse of many industries, including high level of unemployment. Moreover, macroeconomic indicators like balance of payments, import obligations, inflation rate, exchange rate, and national savings reveal that Nigeria has not fared well in the last couple of years.

The poverty situation in Nigeria seems to confirm the failure of budgetary strategy and the ineffectiveness of the budget process and management. A comparison of government budgetary expenditure and the incidence of poverty in Nigeria in the past two decades revealed that both the budgeted expenditure and number of people who are poor increased. This is contrary to conventional wisdom that increase in government expenditure should (all things being equal) enhance the people welfare and reduces poverty.

There is no doubt that Nigeria is endowed with abundant natural resources, but why these resources have not translated into national prosperity remains a mystery. Ironically, the more resources are mobilized and spent, the poorer the people and the nation become. Reports have also revealed that Nigeria, with its enormous resources, was 20th among the world's poorest countries (UNESCO, 2010). This resource-poverty paradox is a clear confirmation of the existence of infractions in the budget process and management since the budget serves as the transmission mechanism. This goes to show that poor management of public resources translates directly into poor public service delivery and thus undermines poverty reduction policies.

A more critical look at the issue of budget allocation and the incidence of poverty reduction indicates that the government spends so much time and resources in the process of budgetary allocation every fiscal year. This is done partly to align budgetary allocations with budget objectives as well as national priorities. However, the functional relationship between such allocations and poverty reduction has not yet been established empirically, nor has it been sufficiently investigated.

On a global perspective, budget discipline is acknowledged not only as a fundamental tenet of sound public financial management but also as a crucial requirement for enabling government to perform its duties and create a stable economic framework that engenders prosperity. This presupposes that national prosperity is a function of fiscal or budgetary rigours in any country. However, in Nigeria, the reverse has been the case. The budgetary process in the last three decades is always distorted by budget indiscipline as manifested in the forms of unsustainable extra budgetary expenditure, unfavourable budget variances and lack of budget integrity, all of which translate into weak methods of delivering public good to citizens among others. While it is logically sound to assume or attribute the depth and severity of the poverty incidence in Nigeria to these poor manifestations in budget management, empirical confirmation of these characteristics is still in want.

Despite this very obvious budget-poverty dichotomy, there has been very little attention drawn to it in literature, as most of the studies in the field of budgeting are centred around the impact of budgeting/government expenditure on economic growth. Few studies that relate budgeting/government expenditure with poverty where either carried out outside Nigeria or were too narrow in scope/methodology or do not cover the most recent budget statistics such as Akpan and Orok (2015), Anger (2013), Egbide (2015). Consequently, there is a wide gap created in literature as regards how the specific components of sound budgeting, namely, effectiveness, efficiency, discipline, transparency, accountability and reforms relate to and impact on the poverty reduction goal of government.

1.3 Objectives of the Study

Generally, objective of this study is to ascertain the relationship between budget allocation and poverty incidence in Nigeria and the impact the former has on the latter. However, in more specific terms, the objectives of the study are:

i. Ascertain the functional relationship between budget allocation efficiency and poverty reduction in Nigeria.

ii. Highlight the relationship between budget discipline and poverty reduction in Nigeria.

iii. Ascertain the impact of budget operational efficiency on poverty reduction in Nigeria.

1.4 Research Questions

The following research questions are raised in relation to the statement of the research problem and objectives of the study**:**

i. To what extent does allocative efficiency impact on poverty reduction in Nigeria?

ii. What is the relationship between budget discipline and poverty reduction in Nigeria?

iii. How does budget operational efficiency impact on poverty reduction in Nigeria?

1.5 Statement of Research Hypotheses

The following hypotheses statements, stated in their null form, are formulated for the purpose of the study:

i. H_o: Allocative Efficiency of budget process has no significant impact on Poverty Reduction in Nigeria.

ii. H_o: There is no significant relationship between Budget Discipline and Poverty Reduction in Nigeria.

iii. H_o: Budget Operational Efficiency does not significantly Impact on Poverty Reduction in Nigeria.

1.6 Significance of the Study

The significance of effective budgeting in relation to poverty reduction in Nigeria cannot be over-emphasized. This is because the budgetary process and performance of Nigeria have been effective, which is said to substantially account for its poverty level. The implication of the above observation is that effective budgeting can be employed to boost the performance of the economy and thereby reduce the incidence of poverty, given that government is the largest employer of labour and accounts for a substantial outlay of the national wealth on goods and services.

The study makes addition to the existing body of knowledge, by bringing to the fore the empirical association between poverty incidence and the attributes of an effective budget management in Nigeria. Besides, there are few studies that had dealt with the interplay between budget provisions and poverty level, thus creating the research gap and opportunity which this study sought to fill.

Moreover, establishing the relationship between budgeting and poverty level provides a platform for assessing government fiscal policy by the general public. This will also facilitate effective monitoring of budget implementation with a view to ensuring that government delivers the anticipated budgetary objectives as specified in the annual Appropriation Acts.

Policy makers and the governmental agencies will find this study relevant, since it provides insight on the interaction between an effective budgeting and poverty incidence, the impact of budget discipline on poverty reduction as well as the determining how effective management of budget will impact positively on poverty reduction. This understanding will help the government to be more result-oriented in fighting poverty.

Furthermore, the international agencies/institutions will find the outcome of this work beneficial. This is because organizations like the World Bank, IMF and United Nations are attracted to countries with sound budget governance. Therefore, determining the relationship between budgeting and poverty reduction will assist the international agencies in assessing the extent of progress made towards achieving the Millennium Development Goal (MDGs) of eradicating extreme poverty and hunger.

1.7 Scope of the Study

This study attempts to establish the relationship between budget allocation and poverty incidence in Nigeria, using four different sectors of the economy, namely: agriculture, education, health and transport. The study focused on the federal annual budget and national poverty statistics, based on the fact that the federal government superintends the entire country and its data have national coverage. Similarly, this study covers a period of 15years (2003 to 2017) this period democratic Government begging implementation of budget. In addition, a survey to garner the views of stakeholders (budget preparers and budget beneficiaries) was conducted in 2017. Therefore, the study reflects current realities.

1.8 Limitations of the Study

In the course of this work, the researcher encountered several challenges that needed to be surmounted in order for this work to be a success. Some of such limitations included, but not limited to:

Accessing secondary data for the study period (2003-2017) was an uphill task. To mitigate this challenge, the researcher explored both online and offline means to gather data.

Additionally, and following from data availability challenge, was the inconsistency of public data. It was observed that public data relating to a particular variable and for a particular period were different from different MDAs.

Moreover, the scope of this study especially with respect to secondary data covered 15 years (2003-2017) and was for only four sectors of the economy, hence did not capture data for the other sectors of the economy.

1.9 Operational Definition of Terms

Some of the terms relating to this study are defined as follows:

Budget Deficit: This can be defined as the excess of budgeted expenditure over budgeted revenue.

Budget Discipline: This refers to the degree of adherence to rules and limits in the preparation and implementation of budgets. It covers three main areas namely, adherence to budgetary estimate, adherence to budget calendar and adherence to budget policies.

Budget Input: It refers to the allocation of money to particular uses in the budget.

Budget outcomes: It can be defined as the ultimate impact on the society or economy as the result of budget allocation to a particular programme or sector.

Budget output: This is described as the public services that are provided by the government through the use of budget inputs.

Budget Process: It is simply the process of producing a budget and implementing the budget to achieve the budgeted objectives.

Budget Surplus: This is the excess of budgeted revenue over budgeted expenditure for a budget year.

Budgetary Control: This relates to the systematic control of an organisation's operations through the establishment of standards and targets regarding income and expenditure, and a continuous monitoring and adjustment of performance against them.

Effective Budgeting: This refers to the budgetary process that is characterised by discipline, efficiency and effectiveness.

Operational Efficiency: This is the degree to which the budgetary resources are utilised to meet societal needs. It also refers to the capacity to use budget input to generate budget output and outcomes

Poverty Reduction: This connotes the degree of reduction in the poverty level.i.e. the practical decrease in the number or percentage of the population living below an acceptable poverty line of say $1, $1.25 or $2 a day.

Poverty Alleviation: This refers to all the direct and indirect means and actions for the purpose of improving the access of the poor to properties and their capacities of using them.

Poverty Level: This represents the percentage of the population who are considered poor. In other words, it is the number of persons living below the poverty line.

P**overt**y: Poverty can be defined as the inability to achieve a certain minimal standard of living. More clearly, it is a condition of insufficient resources or income; in its most extreme form, it is the lack of basic human needs such as health services, education and drinking water, among others.

Public Budget: It is a comprehensive statement of government finances, including spending, revenues, deficit or surplus, and debt which indicate how the government plans to use public resources to meet policy goals.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Introduction

The impact of budget allocation on poverty reduction cannot be over-emphasized. In view of this, several authors and researchers have written considerably on the concept of budget allocation and incidence of poverty. This chapter focuses on discussing in details the works of others in relation to this concept. This chapter shall therefore be discussed under three main sections, namely conceptual framework, theoretical framework and empirical framework:

2.2 Conceptual Framework

2.2.1 Concept of Budget

Under this section, the concepts surrounding budget allocation and incidence of poverty shall be discussed in details:

There are several definitions of a budget, as there are experts in the field as well as the disciplines influencing the subject. Accordingly, most of the definitions are biased by the author's discipline and, or the author's sector of focus.

Generally, however, a budget can be considered as a document, or a quantitative expression of a plan of action which aids the coordination and implementation of the plan (National Minority AIDS Council, 2009).

It is a statement of intended expenditure and its sources of finance over a definite period (Osanyintuyi, 2016).

Egbide (2015) viewed budget as a financial and/or qualitative statement prepared and approved prior to a defined period of time of the policy to be achieved during that period for the purpose of attaining a given objective.

According to Bengali (2016), a budget is a plan of financial operation embodying an estimate in proposed revenue and expenditure as well as the proposed means of financing them for a given period usually a year. He explained further that budget can also be seen as an instrument of economic planning and implementation of social policy, which is to ensure that policies are translated into concrete and feasible objectives. Budget allows the government to decide about each individual revenue and expenditure throughout that period of the plan.

Edame (2013) on the other hand, sees "Economic planning as a deliberate governmental attempt to coordinate economic decision making over the long run and to influence, direct and in some cases even control the level and growth of a nation's principal economic variables (income, consumption, employment, investment, saving, exports, imports etc.) to achieve a predetermined set of development objectives. The budget then becomes a link between financial resources and human needs or behaviour. It becomes a means of meeting the people's needs, that is, policy objectives and political development.

Olaoye (2015) supported the above definition when he puts it concisely that a budget is more than estimates of revenues and expenditures, but encompasses reports regarding how government managed affairs in the previous year, the condition of public treasury, programme of work for years to come and how such work should be financed.

According to Ekhator and Chima (2015) the primary planning role of the budget is that of efficient and equitable allocation of resources among users. Planning starts with the articulation of objectives. Once the objectives have been articulated, the alternatives available for achieving these objectives should be examined for cost effectiveness. The objectives and the cost effect alternative are also generally considered within the framework of the resources available for the attainment of the chosen alternative action. The planning function of the budget also helps to specify concrete achievement target over the budget period and demonstrate how these are to be attained.

Another advantage in the use of the budget as a planning instrument is a clear demonstration of the benefits that the society derives from the selected alternatives and the quantitative and qualitative description of the benefits. Also budget helps in the area of articulating government's economic policy. Budgeting as an instrument of economy indicates the direction of the economy and the expresses intention regarding the public sector budgeting is a complex, multi-disciplinary field, having been influenced by many disciplines including political science, public administration, economics and accounting (Onuma & Simpson, 2016).

Budget reflects the fundamental values underlying the government's economic policies and objectives and whose execution is expected to realise public objectives (Bengali, 2016).

For the economist, the budget is a matter of allocating resources in terms of opportunity cost, where allocating resources to one consumer takes resources away from another consumer. The role of the economist therefore is to provide decision makers with the best possible information.

The accounting discipline had also influenced budgeting in some remarkable ways. The focus of accounting is the implementation of budgetary decisions in line with relevant regulatory authorities or simply, the accountability value in budgeting (Onuma & Simpson, 2016). Generally, accounting discipline is concerned with the financial implication of budgetary transactions, the recording of receipts and payments leading to the creation of assets and liabilities, ascertaining whether the results of the transactions were those initially intended as well as whether the state resources are used properly and efficiently (Onuma & Simpson, 2016). According to the United Nations (1988), in Onuma and Simpson, (2016), the accounting process helps to hold officials accountable by probing into questions such as: how much was spent?, by what authority was it spent?, what was the funding source?, what special purpose was served?, and what types of goods or services were acquired? Answers to these questions guarantee accountability and ensure meaningful use of budgetary resources.

From the foregoing, it can be seen that budgeting goes beyond mere accumulation of revenue and expenditure projections; it relates to the plans, goals and objectives of the budgeting entity and how these plans are to be achieved, with the ultimate aim of improving the lives of the people (Osanyintuyi, 2016).

2.2.2 Laws Guiding Budget Process In Nigeria

1999 Constitution

The 1999 Constitution is the most important legal underpinning of budgetary management in Nigeria. The Constitution makes provision for the power and rationale for national resources management, the framework for budget planning, enactment, implementation and monitoring, as well as defines the roles and responsibilities of the different agents of government in the budgetary process. The related sections are: sections 16, 80-89 and 162-168.

For instance, section 16 confers the powers of resources management to the state. It recognizes the fact that the prosperity of a nation and the welfare of the citizens is the cardinal essence of the existence of the state, and that the resources of the state must be managed prudently for the achievement of government's economic objectives (Constitution of the Federal Republic of Nigeria, 1999).

The constitutional provisions make it clear that the purpose of national resources management is to promote national economic prosperity and for the common good and welfare of all citizens; the young and the old, the sick and the healthy, the employed and the unemployed, the able and the disabled. It also emphasizes even or balanced distribution of wealth among Nigerians (Sec, 16:2: C). This suggests that managing the economy in a manner that permits a wide gap between the rich and the poor is a deviation from the Constitution. The Constitution also recognizes and emphasizes the importance of efficiency in the management of national resources as the only way to achieve self-reliance and balanced economic development (Sec, 16: (1a)). Therefore, indiscipline, inefficiency and waste in the management of a nation's resources are aberrations of the Constitution of the Federal Republic of Nigeria. Section 16 of the 1999 Constitution is, in fact, the legal underpinning of the relationship between budgeting and poverty reduction in Nigeria. It should be recognized that the budget is the instrument by which the government can justifiably mobilize and legally expend resources.

Sections 80-89 of the Constitution make provisions for the powers and control over public funds. Specifically, section 80(2) provides for the establishment of the Consolidated Revenue Fund (CRF) of the federation, into which shall be paid all revenues and other moneys raised or received by the federation, except those that were specifically designated to other funds. Sub-sections 2, 3 and 4 make it illegal for any money to be paid out of the CRF without express provision being made for it in the Appropriation Act or supplementary Appropriation Act or any other Act of the National Assembly. The implication of the above is that extra-budgetary expenditures are unconstitutional and hence contraventions of the Constitution.

Furthermore, the specific mandate for the preparation of the annual appropriation Act (annual budget), supplementary appropriation Act, and authorization of expenditure from the CRF are enshrined in sections 81 and 82 of the constitution. However, there are noticeable drawbacks in these sections. For instance, section 81 (1) allows the President to present the budget to the National Assembly at any time of the year prior to the target fiscal year. The phrase "at any time" suggests that no time during the year is too early and no time is too late constitutionally. The President has the latitude to present the budget from January 1 to December 31. This lack of specific time-frame for the presentation, debate and approval of the budget has been acknowledged as part of the inadequacies of the 1999 Constitution. Also, section 82 allows the President to authorize the withdrawal from the Consolidated Revenue Fund (CRF) for six months or until the budget is approved, whichever is shorter. These provisions permit laxity in the budget process and could possibly account substantially to the delays in the presentations and passages of the annual budgets as well as the general poor implementation of the annual budget in Nigeria.

The Constitution also defines roles and responsibilities in the budget process. For instance, the legislature is expected to influence the budget and to exercise oversight functions on the budget execution. This is to ensure the effectiveness, efficiency and economy of service delivery as well as ensure that public spending is translated into positive impacts on the poor communities. However, this traditional expectation of the Constitution is found to be flouted in practice as multiple institutions have similar and over-lapping responsibilities over budget preparation, management and monitoring (Egbide, 2015).

Generally, the Constitution has valuable provision that underpins effective budgeting in Nigeria. But the observed limitations, including the lack of budget calendar, have been found to contribute to the inefficiencies associated with budgeting in Nigeria (Olomola, 2015).

The Central Bank Act 2007

The Central Bank of Nigeria (CBN) Act 2007 was primarily enacted to strengthen monetary formulation and implementation as well as ensure their effective transmission and enhance the general supervisory capacity of the Bank (CBN, 2007). However, certain provisions of the Act are relevant to the budget process.

Section 2(a) of the Act makes it clear that one of the core objectives of the CBN is the maintenance of price stability (CBN Act, 2007). This is an important function, since macroeconomic stability which, itself is a function of price stability is essential for growth and development in any economy. Price stability is the ability of CBN to moderate inflation, attain stable interest and exchange rates as well as create a conducive investment climate for long term growth and development (CBN, 2007). This implies that both monetary and fiscal instrument must be harmonized to achieve the function of price stability. The CBN will adopt necessary measures in collaboration with the fiscal authorities to control the rate of inflation. Among these measures, the CBN is to keep watch on government spending as persistently huge budget deficit tends to lead to volatility in prices which in turn negatively impacts the standard of living.

Section 38 of the Act provides for the financing of a deficit of the Federal Government budget. This is done by granting temporary advances at a rate of interest determined by the Bank. The total amount of the advances, however, is not expected to exceed 5% of the previous year's actual revenue of the federal government (CBN Act, 2007). The repayment of such advances is expected at the end of the Federal Government financial year for which they are granted. According to the Act, failure on the part of the Federal Government to repay the advances would cause the CBN to be constrained from exercising such power in subsequent years.

The Fiscal Responsibility Act 2007

The Fiscal Responsibility Act (FRA) was signed into law by President Musa Yar'Adua in 2007. It is meant to ensure prudent management of national resources, a mandate consistent with section 16 of the 1999 Constitution. It was also to ensure long term macroeconomic stability in line with section 2 of the CBN Act 2007. Besides, the FRA was set up to promote greater accountability and transparency in fiscal operations within the medium term fiscal policy framework (Egbide, 2015). The responsibility for enforcing compliance of the provisions of the FRA is saddled on the Fiscal Responsibility Commission established under section 1 of the Act.

Under the Act, the annual budget must be derived from the Medium Term Expenditure Framework (MTEF) and shall be the basis for the preparation of both revenue and expenditure estimates as well as the sectorial and compositional distribution of the estimates (Part III, sect 18 (1) (2)). One important ingredient of the Act is the listing of documents to accompany the annual budget presentation as enshrined in section 19 of the Act.

The FRA also makes other very important provisions, such as budgetary planning of corporations and related agencies which applies to 24 corporations and agencies including NNPC, CBN, BPE, NDIC (Egbide, 2015). Others are: budget executions and achievement of targets, responsibility of the preparation of monthly cash plan, and disbursement schedule as well as the condition for the restriction of commitment among others. (FRA, 2007)

One major weakness of the FRA, 2007 like the 1999 Constitution is the absence of a clear budget calendar. Although it stipulates in section 21 (2) that government corporations and agencies and government-owned companies shall submit an annual budget to the Minister not later than the end of August in each financial year, the specific time-table for budget presentation, debate, approval, implementation and disbursement are not clearly stated.

2.2.3 The Budget Process

The logical series of activities from budget conception to evaluation is technically called the budget process or simply budgeting. More formally, it is the chain of activities and processes through the gamut of identifying expenditure needs, and mobilizing the allocation of resources to meet the needs as well as the monitoring and control of expenditure (Osanyintuyi, 2016). This view of budgeting emphasizes the centrality of expenditure and revenue in the construction of a budget, since the needs expressed in a budget can only be realized by the availability of resources (Egbide, 2015). Whereas the above definition considers the process to consist of discrete stages, Josaphat and Oliver (2016) view a budget process as rules for decision making which culminates in a budget, from its formulation, through its legislative approval to its execution. This view that a budget process is made up of rules for decision making could be contested or criticized, since in reality the components of the budget process are not just mere decision making rules, they are tangible stages of activities to be carried out. For instance, Egbide (2015) identifies budget formulation, budget execution and budget evaluation as the constituent stages of the budgetary process. Similarly, Lienert and Jung (2013) delineated the stages in the budget process with a bias towards explaining the roles of the executive and the legislature in the annual budgetary process. To that end, they identified five generic steps in the budget process, namely, budget preparation, budget discussion or parliamentary stage, budget implementation, parliamentary control stage and the audit and review stage. Others had viewed the budget process as a series of seven discrete stages, namely, budget conception, budget preparation, budget approval, budget execution, and budget evaluation, with monitoring and control pervading through all the stages of the cycle (Olomola, 2015). In the view of Aborishade (2016), the main components of a budgetary process include: budget formulation, budget enactment, budget execution and budget audit and assessment.

From the foregoing, there seems to be a lack of consensus as regards the number of stages that make up the budgetary process. The number and delineation of the stages most times depends on the perception and conviction of the author. However, what is also clear is the fact that the stages of the budget process are both discrete and continuous and follows a cyclical pattern; hence it is sometime referred to as the budget cycle. This is because the end of a process (budget audit) signals the beginning of another cycle as well as provides feedback for the first stage (budget formulation), and the cycle continues. The budget cycle, according to Aborishade (2016), is designed to allow for the absorption of new information by the system, response to it and create a platform for the government to be held accountable for its actions. It is also informative to mention that the stages are not stand-alone activities, as there may be activities related to several stages of the cycle happening at the same time, and what happens in one stage can influence decisions made in the others (International Budget Partnership (IBP), 2011). Figure 2.1 represents a typical four-stage budget cycle.

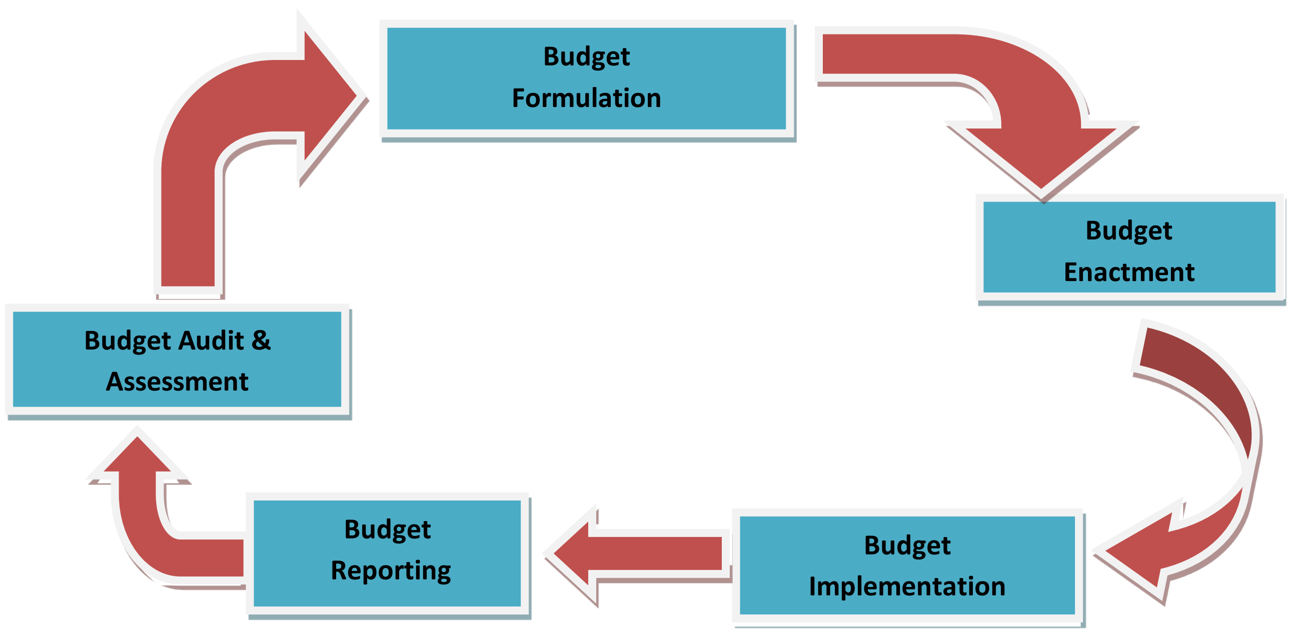


Figure 2.1: A Typical Five-Stage Budget Cycle

Source: Adapted from Aborishade (2016)

i. Budget Formulation: In the public sector, this connotes the drawing up of the budget by the executive arm of government. According to the International Budget Partnership (IBP) (2011), this stage of the annual budget takes place behind closed doors. Accordingly, the legislature and the civil society have little or no access to this stage of the process. However, because the public sector budget is not usually zero-based, major part of the budget may be anticipated by stakeholders outside the executive, thereby creating opportunity for analysis and advocacy at the formulation stage.

In Nigeria, the formulation stage of the budget process involves several sub-stages or steps which Aruwa (2014) classified as budget conception and budget preparation. According to him, the budget conception stage involves the review of the previous year's budget while the preparation stage relates to the actual assembling of data. A well-formulated budget should incorporate government goals, objectives and policies as well as the identification of socio-economic and political constraints expected in the budget year (Allen, 2014). However, the Fiscal Responsibility Act (FRA, Section 18) (2007) requires that the annual budget be derived from the Medium Term Expenditure Framework (MTEF). To this end, the MTEF forms the basis for the preparation of revenue and expenditure estimates of the budget. It also allows for consistency between the sectorial and compositional distribution of the estimates of the expenditure and the medium term developmental priorities.

This stage of the budgetary process in Nigeria has been criticized for its inherent weaknesses. According to Olomola (2015), the weaknesses associated with the budget preparation stage include but are not limited to improper articulation of the motives of consultation, limited coverage of relevant issues, dwindling enthusiasms of participants and inauspicious timing of the pre-budget consultations. He lamented that the pre-budget consultations are mere formalities meant for the information of the audience since, in most cases, the inputs from such consultations are never considered for inclusion into the budget. In the same vein, Egbide (2015) observed an inconsistency between the MTEF and Annual Budget contrary to the expectation of the FRA (2007). For instance, in 2010 the benchmark price for crude oil as per MTEF was \$50 per barrel at a ten-year moving average, while the annual budget proposal's benchmark was \$57 per barrel. This inconsistency may yield little or no accruals to the Excess Crude Accounts (ECA) which is the buffer for the government in case of volatility and shocks in the oil market.

ii. Budget Enactment/Approval: This is the stage of debating, alteration and enactment into law by the legislative arm of government. At this stage the President presents the budget in the form of Appropriation Bill to the joint session of the National Assembly as is the case in Nigeria. The bill will then go through different stages in the two Houses of the National Assembly and must be passed by the two Houses before it can become law. In the case of disagreement, a joint session of the two Houses will be constituted to resolve the issue, and the bill is enacted by the two chambers for the President's assent. In the process of deliberations and amendments, the legislature may pass the appropriation in excess of what was presented or less than what was presented and they can also alter the budget in favour of a department or an area (Aborishade, 2016).

The approval stage of the budget process in Nigeria has been characterized by a lot of delays which, according to Olomola (2015), result from several factors, including, the lack of legal timing for budget presentation, screening and approval. This is of course a constitutional weakness, as the 1999 constitution does not specify the duration for any of the stages in the budgetary process (Aruwa, 2014). Other weaknesses of the approval stage include: undue reliance on the budget process as an instrument for settling political squabbles between the executive and legislature, the tendency to impose extra-budgetary conditions on the budget approval process, poor implementation of previous budgets, inadequate monitoring of previous budgets, low level of priority given to budget debates by legislators and confusion and inexperience on the part of some legislators (Olomola, 2015).

iii. Budget Implementation: The implementation of the budget is an executive function and involves the execution of the budget as approved by the legislature (Aborishade, 2016). This is one of the most crucial stages in the budget process, since it involves the practical disbursement of funds to execute programme and projects in accordance with the budget. According to ODI (2004), budget implementation deals with the transformation of numbers in the budget documents into actual delivery of outputs and successful achievement of government objectives. It encompasses budget monitoring and budget control. Budget monitoring is viewed as an accounting function in the budgetary process and involves the systematic collection of data on specific indicators to provide management and main stakeholders of an on-going developmental intervention, with indications of the extent of progress and achievement of objectives and progress in the use of allocated funds (Egbide, 2015). Budgetary control, on the other hand, connotes a methodical control of an organization's operations through the establishment of standards and targets regarding income and expenditure, and a continuous monitoring and adjustment of performance against those standards and targets (Egbide, 2015). It relates to the continuous comparison of actual with the budgeted to ensure the achievement of budget policy or to provide a basis for adjustment of the policy. The control aspect of budgeting begins immediately after the budget estimates have been agreed and approved, and hovers round all other stages of the process to ensure efficiency and effectiveness of the entire budgetary process. IBP (2011) opined that unless the executive issues public reports regularly on the status of expenditure during the year, civil society organizations (CSOs) have limited ability to monitor the flow of funds. However, CSOs do have an interest in an effective oversight system that promotes adherence to the budget estimates (budget discipline) and reduces mismanagement and corruption. The monitoring aspect could be focused on whether the amounts for specific projects such as a school or a road have been used for the intended purpose (budget effectiveness) or whether the government funds allocated for this purpose, have been used effectively and have reached the intended beneficiaries (Egbide, 2015). On the other hand, the main thrust of budgetary control is to measure performance against target in order that swift remedial action may be taken in case of adverse variances and to serve as feedback for budget planning (Egbide, 2015).

In Nigeria, the implementation of the budget is reportedly more opaque than transparent and is characterized by a myriad of weaknesses including delays in the release of funds, disregard of budgetary rules, lack of adherence to budgetary estimates, unpredictability and variation in the appropriated funds received, among others (Olomola, 2015). There is also wide deviation between allocated funds and actual spending by MDAs, which according to Olomola (2015) can be attributed to the following factors:

(i) policy changes during the year,
(ii) reallocation of expenditure during budget implementation,
(iii) inability to implement policies, programs and projects
(iv) inadequate counterpart funds in some instances
(v) inaccurate or inappropriate determination of budget ceiling often prescribed for the MDAs and

(vi) poor targeting (estimation) of the expected revenue to be collected by the agencies responsible for revenue generation and collection.

Assessing the implementation of budgets in the first (2000-2003) and second terms (2004-2007) of the Obasanjo's administration, Olomola (2015) observed that the 2000-2003 period witnessed relatively weak budget performance, as it was basically a carry-over from the military era which was characterized by absence of clear linkage between policy, planning and budget, weak legal framework translating into flagrant budget indiscipline and mismanagement of resources. On the other hand, the 2004-2007 sub-period recorded improvement in budgetary performance, being the period for the introduction and operation of many reforms including NEEDS, DMO ACT2004 and MTEF introduced in 2005 even though its legal backing came in 2007.

iv. Budget Audit and Assessment: This is the stage of auditing actual expenditures and assessing them for effectiveness, efficiency and economy (Aborishade, 2016). According to IBP (2011), this stage of the budgetary process presents a valuable opportunity for budget groups to obtain information on the effectiveness of particular budget initiatives, as well as to advance accountability by assessing whether the legislative and executive branches respond appropriately to the finding of the audit reports.

In Nigeria, the importance of auditing in the budget process in order to ensure efficiency and effectiveness of the resources used in the economy as a whole has been acknowledged, but the needed infrastructures have not been put in place, the relevant modalities are not well-understood and strictly complied with, audit reports are not published on time (Olomola, 2015). According to IBP (2011), when audit reports for instance are available in a timely manner, they often document a litany of poor expenditure practices, leakages, and procurement irregularities which, when spread widely, can enhance accountability and can also be used to advance reforms.

Other weaknesses of the budget audit in Nigeria are: lack of result-orientation in the discussion of audit results, lack of independence and credibility of the internal auditors, among others (Olomola, 2015).

2.2.4 Sound Budget Management

Budget management of government can be a potent tool for growth and poverty reduction. This is because budget management enforces fiscal discipline, fosters macroeconomic stability, improves the portfolio of programmes by rewarding effective and efficient programmes and builds a culture of performance and accountability within the government bureaucracy (Egbide, 2015). Effective budget management here refers to sound budget management which connotes managing all the components of the budget cycle efficiently, effectively, economically and equitably. It is synonymous with a system of well-planned and implemented public spending strategies that can promote technical and allocative efficiencies, as well as equity through timely and appropriately focused budget implementation and service delivery.

According to Adubi and Fajingbesi (2015), for a budget to be effective, it must first be aligned with the organization's strategies and must be value-based. This view presupposes that a budget is a strategic document that is intended, upon implementation to add value to the organization or the community as the case may be. In a related view, Allen (2014) while crafting budgeting's future agenda for Senior Budget Officers (SBO) of the Organization of Economic Cooperation and Development (OECD) countries, defines good budgeting in terms of the following criteria:

i. The budget should establish a stable, sustainable fiscal position for the medium term and beyond.
ii. The budget should facilitate the shift of resources to more effective, higher priority uses.
iii. The budget should encourage spending units to operate efficiently.
iv. The budget should be accessible to citizens and responsive to their interests.
v. The budget (in tandem with other financial management practices) should assure accountability in the expenditure of public money.

The above criteria are consistent with the submission of Olomola (2015) who identified discipline, efficiency and effectiveness as major characteristics of sound budgeting, and also as conforming well with the third budgeting principles of the European Union (EU) which, among other things, emphasized budget discipline as the key ingredient of sound financial management, including the highest standard of financial control and independent audit, and greater focus on the delivery of outcomes in programme design and evaluation (HM Treasury, 2008).

From the foregoing, it can be summarized that sound budgeting is characterized by discipline, efficiency, effectiveness, integrity, accessibility or transparency and accountability as well as stability.

i. Budget Discipline

Budget discipline has to do with the extent to which an institution or nation stays within the budget or, better still the ability of a government to confine itself to the limit of expenditure in the approved budget or supplementary budget (Aruwa, 2014). The approved budget could fall under any of the three national budget strategies (deficit, surplus or balanced). Whatever it is, discipline is expected in order to maximize the benefits of such a strategy. Conceptually, budget discipline is different from fiscal discipline in the sense that while budget discipline is measured by the ratio of budgetary expenditure to actual expenditure, fiscal discipline is measured by the ratio of budget deficit to the Gross Domestic Product. However, both are attributes of efficient fiscal policy management, hence, share similar implication on the economy (GDP). To that end, while the two terms will be used interchangeably in this work, the emphasis will, however, be more on budget discipline.

There are three principal areas or dimensions of budget discipline, namely: (i) adherence to stated budgeting policies without wavering; (ii) adherence to budget calendar in the development, approval, implementation and monitoring; and (iii) adherence to approved estimates in the appropriation Act (Egbide, 2015). These three dimensions, summarized as timing discipline, policy discipline and numerical discipline respectively, are crucial for the effective working of the budget, and a breach in any level constitutes indiscipline, which has been adjudged to be iniquitous to the economic progress of any nation.

In Africa, there seems to be a consensus of observation in much of the literature that budget indiscipline is a fundamental characteristic of budget practices of most countries in Sub-Sahara Africa, including Nigeria (Lienert & Jung, 2013; Aruwa, 2014). Aruwa (2014) attributed this fiscal behaviour to the degeneration in governance and the increasing lack of cohesion between government policies and the budget. This suggests that fiscal indiscipline will be reduced if policies are integrated into the budget or there is cohesion between budgets and government agenda, which is one of the issues this thesis intends to address. It could also be deduced that the effectiveness of any budgetary system is dependent on the working of the government and the sincerity of her programmes.

In Nigeria, budget indiscipline has been observed and identified to be one of the serious problems of the budgetary process. According to Aruwa (2014), “the principle of strict budget discipline has evaded the implementation of the federal budget”. This observation has been corroborated by a number of scholars. For instance, Orebiyi and Ugochukwu (2015) related budget implementation failures in Nigeria to non-adherence to rules and control mechanisms associated with long years of military rule, as they opined that in recent times, literature are limited with regards to budgetary control, practices and procedures in Nigeria. This can be partially attributed to the fact that Nigeria was under the military rule for more than 30 years out of the 44 years of her independence. Whenever budgets are formulated, planned, prepared and presented, the control mechanisms were never adhered to thus resulting in budget implementation failures.

The above assertion acknowledged the fact that budget failures in Nigeria are engendered by indiscipline, which the authors partially attributed to long years of military rule. If this is true, with over ten years of democratic government, these unhealthy budgetary practices would have been abated. The reality, as observed by Orebiyi and Ugochukwu (2015), is that the practice of non-implementation of the budget to the letter has continued in the new democratic Nigeria. It was this worrisome fiscal management that led to the inclusion of budget discipline improvement in the Obasanjo public sector reform agenda.

In a recent study on budget discipline in government, Olaoye (2015) lamented that from whatever angle one looks at the subject of budget discipline, whether it is timing, policy or numerical, Nigeria still has a long way to go. The reasons for this lack of discipline relate to what Lienert and Jung (2013) had identified as innovative ways of circumventing expenditure controls and corruption, among other reasons. Timing discipline refers to the extent to which the budget calendar is adhered to during the budget process. Without any constitutional provision of any specific calendar, it is common knowledge that a national budget should be prepared, presented, debated and approved before the commencement of the fiscal year to which it relates. In this respect, Olomola (2015) observed that from 2000 to 2008, except for 2006 and 2007, there was no year the budget was approved earlier than April. For instance, the 2005 budget was approval in June; the 2006 budget was approved on February, 2006. For the 2007 budget, an improvement was recorded as the 2007 budget was finalized by December 2006. By 2008, the system had deteriorated again leading to the approval of the budget in mid-April 2008. According to him, the observed delay in the passage of the budget and approval resulted from misunderstandings, acrimonies and political intrigues that characterized the budget process among others. The situation might not be very different with respect to policy discipline and numerical discipline. Aborishade (2016) opined that implementing the budget exactly as agreed in the annual budget may not be possible in reality, as deviation of actual spending from the budget could be actuated by executive abuse, conscious change of policy direction or fundamental economic or other changes beyond the control of the executive. He, however, advised the CSOs and progressive politicians to monitor the budget to ensure strict adherence to the budget as enacted into law by the legislature. It was also submitted that if changes are necessary, it should be agreed in the proper fashion and should be appropriate to guarantee that resources are concentrated on projects that are of key importance to the electorate.

ii. Budget Effectiveness

The word "effectiveness" connotes the extent to which objectives are achieved (Lienart & Jung, 2013). With respect to public sector budgeting, it means the extent to which budgetary allocation are in congruence with national cum citizens' priorities as well as the extent to which those priorities are achieved. Every budget is expected to have ends in view for which their achievement or otherwise will be compared at the end of the fiscal year. The budget is adjudged effective if the preconceived objectives are achieved, otherwise it is ineffective. According to Osanyintuyi (2016), the ultimate goal of budgeting is to improve the lives of the people. To that extent, if a budget does not lead to improvement in the lives of the people, it does not qualify as being effective. To make a budget effective, Olomola (2015) opined that budget effectiveness will be possible if budgets and strategic plans of government are synchronized. This assertion is predicated on the economic premise that government resources are scarce in relation to the demand for them. Effective budgeting therefore entails judicious allocation of scarce resources in tandem with government priorities, and monitoring of the implementation to ensure the achievement of the budgetary objectives.

In Nigeria, for instance, infrastructural facilities, jobs creation and poverty reduction are central objectives of the annual budget as exemplified in the themes of the 2005, 2006, 2007 and 2011 budgets (Obasanjo, 2004, 2005, 2006; Jonathan, 2010). But whether those objectives were achieved is an issue for another day. It should also be noted that effective budgeting also entails effective control over expenditures and ensure that methods which have been employed by administrators to circumvent the implied purposes of appropriations are rendered ineffective.

iii. Budget Efficiency

Efficiency in the management of resources is very crucial whether it is individual, organization or in government. It connotes the extent to which inputs are minimized and outputs maximized or simply, the relationship between inputs and outputs (European Commission, 2008). In the opinion of Farrell (1957), as cited in European Commission (2008), an organization can increase her output by simply increasing her efficiency without necessarily increasing her inputs. According to this thinking, efficiency is fundamentally the difference between inputs and outputs. Although it had been acknowledged that the measurement of efficiency has remained a conceptual challenge, the input-output ratio is the most basic measure of efficiency. In other words, the greater the output for a given input or the lower the input for a given output the more efficient the activity is said to be (European commission, 2008).

With respect to budgeting generally and public sector budgeting in particular, efficiency is a pivotal attribute of a sound budgeting system as it measures the extent to which the government can achieve her objectives as enshrined in the budget with the least amount of resources (Olomola, 2015). That is, the ability of the government to achieve our developmental aspirations at minimum cost to the nation. To this end therefore, a budget is said to be efficient if the achievement of budgetary objectives does not overheat or put unnecessary pressure on the economy. In an efficient budgetary system, the economy should not be thrown into debt or unfavourable balance of payment because of the desire to achieve budgetary objectives.

iv. Budget Transparency

Budget Transparency connotes the full disclosure of all relevant fiscal or budget information in a timely and systematic manner (Organisation of Economic Co-operation and Development (OECD), 2002). It is the ease with which ordinary citizens and civil society organizations can access information about how public resources are allocated and used, and whether or not public office holders' are good stewards of public funds. The main thrust of fiscal transparency is public accountability and credibility of government through better-informed budget debate. Budget transparency has been found to have enormous and positive effects on fiscal performance since it is an important precondition for good governance, macroeconomic fiscal sustainability; it lowers public debt, reduces budget deficit as well as determine the overall fiscal rectitude in government operations (ECA, (2005).

v. Fiscal Transparency

This entails being open to the public about the government's past, present and future fiscal activities, and about the structure and functions of government that determine fiscal policies and outcomes (IMF, 2011). In line with the foregoing, a budget is said to be transparent when it is easily available to the public and to participants in the policy-making process and present consolidated information. On the other hand, when a budget incorporates numerous 'special accounts' and fails to consolidate all fiscal activities into a single 'bottom line' measure it is not transparent (ECA, 2005).

Budget Transparency has been adjudged to be a fundamental precondition for accountability and public participation in governance processes. This is because it allows citizens to provide inputs into the budget process and to assess whether a government executes the development plans in accordance with budgetary allocations. Transparency in governance, especially with respect to budgeting engenders participation and result in better outcomes by reducing manipulations of budget, misappropriation of resources; and fosters sensible, accountable and equitable resource allocation. Lack of transparency in the budget processes creates opportunities for graft and corruption which has been the bane of budget implementation in many developing countries.

In 1998, the IMF in response to the agitations of civil society movement yearnings for improvement in the disclosure of budget information in both the developed and developing countries, developed a set of codes (IMF Code of Good Practices on Fiscal Transparency) which provides a set of guidelines to establish a sound and viable transparency framework for fiscal policy (IMF, 2011). The Code, which was updated in 2007, is based on four general principles. First, is the principle of clarity of roles and responsibilities which emphasizes the disclosure of clear distinction between government commercial activities, as well as clear legal and institutional framework governing fiscal administration and relations with the private sector. Open budget processes is the second principle and it entails the presentation of budget information in a way that facilitates policy analysis and promotes accountability. The third principle, Public Availability of Information, relates to the provision of complete information to the public on the past, current and projected fiscal activity of government and on major fiscal risks. Assurances of Integrity principle states that fiscal data and practices should meet accepted quality standards and should be subjected to independent scrutiny (IMF Fact Sheet, 2011).

Aside the IMF codes, the Economic Commission for Africa (ECA) (2005) identified the following as some of the prerequisites for successful fiscal transparency practice: political will and commitment, commitment to fight corruption and mismanagement, strong legal framework and enforcement mechanisms, citizens' participation, addressing capacity constraints, a learning culture, freedom of expression and access to information. Although the measurement of fiscal transparency is considered difficult, yet the extent to which ordinary citizens are able to express informed views about economic management determines their access to information and the clarity thereof. This by extension is an indication of transparency (ECA, 2005). Olomola (2015) reported that in Nigeria, a good part of the budget process and other financial activities of the government are still shrouded in secrecy. This is partly justified by the public service Rules no. 020209, 030415, 030416 and 030417 (Oath of Secrecy), which prohibit the disclosure of official information without the permission of government. The implication is that getting information about government fiscal activity in Nigeria becomes very difficult due to the bureaucracy that these rules stipulate.

vi. Budget Accountability

The concept of budget accountability is anchored on the principle of "no taxation without representation", which states that tax payers have a right to participate in and be informed of the government's decision regarding the use of public resources (ODI, 2004). According to the Auditor-General of Canada (1997) cited in Egbide (2015), "accountability is an obligation to answer for the execution of one's assigned responsibilities". In other words, it is the ability to hold public officials responsible for their actions (Olaniyan, 2014). Accountability is a basic tenet of democratic society or, better still, a benchmark of good governance (Egbide, 2015). This therefore connotes that opaque budgets or inadequate controls in the budgeting process can seriously undermine the democratic process and impede the delivery of value to the society. Also the lack of transparency and adequate accountability measures keep this principle quite far from common practice. It is in the light of this that ODI (2004) advocated the need to hold governments to account for their budgetary promises and actions through a variety of mechanisms such as civil society participation and capacity building, the enhancement of the role of the parliaments in the budget process, transparency measures that allow for information to be disseminated and shared, and auditing procedures which ensure adequate ex-post control (ODI, 2004).

2.2.5 Constraints of Budgetary Allocation in Nigeria

In a federal system of government, revenue allocation involves two schemes. The first is the vertical sharing between the federal or inclusive government and the other tiers of governments. The subject of these sharing schemes is the federally collected revenues. This is because the revenues generated within the jurisdictional areas of the units – states and local governments – are not subject to the national sharing formula (Feridun & Akindele, 2015).

The debate on Nigeria's fiscal federalism and relations hinges on the fundamental question of who gets what of the national cake, when and how. This is fundamental given that Nigeria as a monolithic economy gets over 80% of its revenue from crude oil, by virtue of the constitutional provision, this revenue must be disbursed to the three tiers of government. It also explains why the formula for revenue allocation has continued to be at the heart of public debate and why public office holders are hardly held accountable for the misuse of revenues derived from the national oil wealth. It is obvious that the nature and conditions of the financial relations in any federal system of government are crucial to the survival of such a system. A major source of intergovernmental disputes under a federal system centers on the problems of securing adequate financial resources on the part of the lower levels of government to discharge essential political and constitutional responsibilities (Lienart & Jung, 2013). In all federations, there is always constitutional wrangling or how resources should be shared among the constituent units since there are always poor and relatively rich units for instance, in Nigeria, the poor units/regions/states often prefer a re-distributive system of federal resource while the richer or more endowed States are in favor of more financial autonomy and revenue allocation based on the relative contribution of each constituent units to the federal purse. In Nigeria revenue allocation largely implies the allocation of oil revenue, therefore, oil is central to the politics of intergovernmental fiscal relations thus, the contending forces over power and access to oil, extraction and accumulation of resources constitute the major conceptual issues that must be objectively confronted in seeking to understand the political economy of federalism in Nigeria and revenue allocation (Ogbole & Robert, 2016).

2.2.6 Concept of Poverty and Poverty Reduction

The terms poverty and poverty reduction have become major slogans in international developmental agenda, in terms of development goals as well as for new instruments in international finance (Egbide, 2015). While the causes of poverty seem consensual, the definition is not yet universal and the remedies are still in want. The difficulty in defining poverty stems from the different perspectives in which the subject is seen. This is because what may be termed poor by one may not be considered poor by another; besides; there is always the difficulty in deciding where to draw the line between the poor and the non-poor (Abiodun & Uffort, 2016).

According to the United Nations Statistical Division (UNSD, 2005) the earliest definitions of poverty centred on the inability to obtain adequate food and other basic necessities, the contemporary focus continues to be on material deprivations, i.e., the failure to command private resources. The World Bank Report (1990) considers poverty simply as the inability to achieve a certain minimal standard of living. But standard of living in itself is determined by several factors of which income is chief. This presupposes that defining poverty in terms of standard of living is invariably defining it in terms of income. Also, Anger (2013) refers to poverty as a lack of command over basic consumption needs. That means the poor have inadequate level of consumption giving rise to insufficient food, clothing and/or shelter, and moreover the lack of certain capacities, such as being able to participate with dignity in society. This view was corroborated by Aborishade (2016) who opines that being poor is generally associated with deprivation of some of life's basic needs, such as food, shelter, clothing, basic education, primary health care, and security. These are invariably some of the elements that define or determine standard of living.

In the above sense, poverty is both an economic and social problem that manifests in various ways. It is also clear from the above that no matter how poverty is defined or the way any one may look at the concept of poverty, it portrays or conveys insufficiency of some essential element of life, reduces the confidence and dignity of man as well as the social and psychological prestige of its victims (Anger, 2013). According to Salawu et al (2016), poverty is a condition of insufficient resources or income. The level of insufficiency that differentiates the poor from the non-poor is called the poverty line, and it typically specifies the income (or level of spending) required to purchase a bundle of essential goods (typically food, clothing, shelter, water, electricity, schooling, and reliable healthcare) (UNSD, 2005). By this view, people are living in poverty if their income and resources (material, social and cultural) are inadequate as to preclude them from having a standard of living which is regarded as acceptable by their society generally.

The manifestation of poverty has led to different classifications of the subject. Some of these ways include absolute poverty, relative poverty, income poverty, non-income poverty, case poverty, insular poverty, among others. These will be explained in turn.

i. Income Poverty versus Non-Income Poverty

The dichotomy between income poverty and non-income poverty depends on whether the definition is confined to the material core; the nature of the material and whether they embrace also relational/symbolic factors associated with poverty. Income poverty refers to insufficiency or inadequacy of income required to meet life's basic necessities. This suggests that poverty can be calibrated by the poverty line, hence, can be eliminated once all households command resources equal to or above the poverty line (UNSD, 2005). Income poverty is akin to absolute poverty described below. Non-income poverty is defined in terms of the deficiency in other elements that give rise to poverty other than income.

ii. Absolute Poverty versus Relative Poverty

Poverty has been conceptualized in both the relative and absolute sense based on whether relative or absolute standards are adopted in the determination of the minimum income required to meet basic life's necessities (Abiodun & Uffort, 2016). Absolute poverty (AP) has been understood as the minimum set of resources a person needs to survive, while Relative Poverty (RP) on the other hand is a measurement of the resources and the living conditions of parts of the population in relation to others. AP is a matter of acute deprivation, hunger, premature death and suffering and because the dividing line between acceptable and unacceptable deprivation is not just biological and can change from society to society, AP is difficult to measure in a consistent way. The UNSD (2005) posits that a poverty line indicates deprivation in an absolute sense, i.e. the value of a set level of resources deemed necessary to maintain a minimal standard of wellbeing. RP is a matter of social equity, and is associated with the development of policies for the reduction of social inequalities and the creation of mechanisms to compensate for the more extreme differences in wealth, living conditions and opportunities. The measurement of absolute poverty is typical of less developed countries in Latin America, Africa and Asia, while the measurement of relative poverty is more typical of highly industrialized and developed countries, such as the United States, Canada and Australia (Egbide, 2015).

iii. Case Poverty versus Insular Poverty

Salawu et al (2016) classify poverty into case poverty and insular poverty. Accordingly, case poverty is "the poverty seen in every community, rural and urban". It manifests in poor families with "junk-filled yards and dirty children playing in the bare dirt". Other attributes of individuals and families afflicted by case poverty include: mental deficiency, bad health, inability to adapt to the discipline of modern economic life, excessive procreation, alcoholism, insufficient education, or perhaps a combination of several of these handicaps. These conditions hinder their victims from participating in socio-economic and political activities that allow meaningful living. Insular poverty, on the other hand, manifests itself as an island. In this imaginary island, everyone or nearly everyone is poor. As Egbide (2015) notes, it is difficult to explain insular poverty by individual inadequacy, because the environment in which the people find themselves may have made them poor or may have frustrated them.

iv. Objective Poverty versus Subjective Poverty

Objective indicators of poverty are quantitative in nature. These include such measures as income and consumption, calorie intake, medical data etc. these measures of poverty are defined externally by researchers or policy makers analyzing poverty and not by the poor themselves. Subjective poverty, on the other hand, is always dependent on the specific context and is therefore specific and not universal (UNCTAD, 2012).

v. Stock Poverty versus Flow Poverty

Stock poverty arises as a result of inadequate accumulation of stocks of assets which precludes an individual from responding to shocks when they arise. The stocks of assets may be in the form of physical assets, monetary, social, as well as human assets. Flow poverty on the other hand relates to poverty defined in terms of the flow of goods and services (Income). According to UNCTAD (2012), stock poverty like flow poverty plays a very important role in explaining poverty particular with respect to responding to shocks.

vi. Input Poverty versus Output Poverty

Input poverty captures an individual's or group's capabilities and abilities to function (example is the income poverty). Input poverty does not represent a direct measure of well-being. Output poverty represents output indicators of well-being, there are the impacts of inputs indicators. For example, money invested into education (input indicator) may increase the capability to participate in decision-making processes in the community, which would be an output or impact indicator. The link between the input income and the output is however not automatic, it manifests in the medium to long run (UNCTAD, 2012).

vii. Individual Poverty versus Household Poverty

The traditional measurement of poverty had been based on household and not individual. The rationale is that decisions on production, savings and expenditures are often taken at the level of household (UNCTAD, 2012). Household poverty measures the changes in income needed to bring households of different sizes and composition to the same level of welfare. However, in order to adjust for size and composition of households, the concept of "equivalence scale" has been used. The size of a family is important since they are economies of scale in the larger household. Composition is important because different members of a household may require different costs of maintenance. For instance, a child is generally considered to be less expensive than an adult, and women less expensive than men. In the context of composition of household, the question of within-household difference and bargaining within households has stimulated a trend towards disaggregated analysis in order to capture differences in the type causes of deprivation affecting men, women, elderly, children, etc. (UNCTAD, 2012).

viii. Snapshot Poverty versus Dynamic Poverty

Snapshot poverty measures the incidence or extent of poverty at a specified point in time and captures the poor who at that time fall below a specified threshold or poverty line, while Dynamics poverty is subjective and takes into account the changes in perceptions of poverty if the poor change. It also captures the lifelong experience or dynamics of poverty over time. Dynamic analysis of poverty had given rise to other concepts such as transient poverty, chronic poverty, actual poverty as well as potential poverty discussed hereunder (UNCTAD, 2012).

ix. Transient Poverty versus Chronic Poverty

Transient poverty had been defined as a transitory/temporary form of poverty linked to natural or man-made disasters (Ajakaiye & Adeyeye, 2014). It usually occurs after a shock such as drought or war and is more reversible but can become chronic if it persists (UNCTAD, 2012). Chronic or structural poverty on the other hand connotes a persistent or permanent socio-economic deprivation (Ajakaiye & Adeyeye, 2014). In other words, it is a situation where people experience poverty for extended periods of time or throughout their lives (UNCTAD, 2012). Chronic poverty is a problem in most less-developed countries and usually caused by a number of factors including: limited productive resources, lack of skills for gainful employment, endemic socio-political and cultural factors and gender, among others (Ajakaiye & Adeyeye, 2014).

x. Actual Poverty versus Potential Poverty

Poverty researchers also observed the group of people in both developing and developed countries who live close to the poverty threshold and move in and out of poverty as consequence of shocks. This observation gave rise to actual and potential poverty. Actual poverty captures those who are identified as poor at a specific point in time, while potential poverty also includes those who are vulnerable to shocks because they are exposed to many risks and do not have good coping strategy, even if the current income classifies them as non-poor (UNCTAD, 2012).

2.2.7 Causes of Poverty

Although poverty is a global issue, its severity differs from continent to continent and from country to country according to the factors that actuated it. Poverty is not caused by one factor but a combination of several complex factors contribute to it. Among the factors identified as contributory to the global poverty crises are: low or negative economic growth, corruption, unemployment, poor infrastructure, hash economic policy, poor governance or poor leadership, low productivity, a lag in human resources development among others (Ajakaiye & Adeyeye, 2014). Poverty is also caused by poor leadership, lack of a comprehensive National Poverty Reduction programme, lack of sound agricultural policy, neglect of agricultural sector, lack of basic infrastructure, rapid population growth (Anger, 2013). Other factors which have contributed to a decline in living standards and are structural causes or determinant of poverty include increase in crime and violence, environmental degradation, retrenchment of workers, a fall in the real value of safety nets as well as changes in family structures. The Thinkers Forum International (2013) cited in Egbide (2015) also added mismanagement of resources, corruption, trade injustices and greed among others as the most recent causes of global poverty. Some of these factors are examined below:

i. Low Economic Growth: Economic growth implies increase in the quantities or bundles and values of goods and services needed for the wellbeing of the citizens of a nation (Anyanwu, 2014). Therefore a low economic growth means low or insufficient goods and services for the people, which is in fact the simplest definition of poverty. According to Ajakaiye and Adeyeye, (2014), growth that is employment generating and with export based is desirable in order to achieve growth that is poverty reducing with equity especially in developing countries like Nigeria. Although, it is generally acknowledged that the economic performance of countries in the world has generally been highly volatile since the early 1980s and exacerbated by the global financial crises of 2007-2009 the global poverty rate is reported to have been in decline for about 25 years. But in Africa and in Nigeria in particular, the records showed an ever increasing rate of poverty in absolute terms, attributed mainly to the low or stagnated economic performance.

ii. Harmful Economic Systems: The World Hunger Education Service (2011) identified harmful economic system as the principal cause of poverty and hunger. It was asserted that the principal underlying cause of poverty and hunger is the ordinary operation of the economic and political systems in the world. Essentially control over resources and income is based on military, political and economic power that typically ends up in the hands of a minority who live well, while those at the bottom barely survive, if they do.

iii. Macroeconomic Shocks and Policy Failure: These have also been identified as a major cause of poverty in several countries of the world (Ajakaiye & Adeyeye, 2014). It is observed that many economies in the world faced macroeconomic disequilibrium, mostly in the balance of payments due to expansive aggregate demand policies, terms-of-trade shock, and natural disasters, which makes it necessary to undertake major policy reforms. In the process such economies become vulnerable to poverty largely because such shocks and policy failures constrain the poor from using their greatest assets "labour". Also, monetary policies that adversely affect cost and access to credit by the poor as well as fiscal policy which raises the domestic cost of production in an import dependent production system will affect the poor negatively.

iv. Corruption: Corruption has been identified as one of the chief causes of poverty in the world (Thinkers Forum, 2013). In Nigeria, cases abound where local and national treasuries have been and continue to be looted. In 2006 the former World Bank President, Wolfowitz stated that for the past 40 years, about US$300 billion oil wealth has disappeared from the country and noted that this is contributory to why about 75% of Nigerians now live on less than one dollar per day. The relationship between corruption and poverty is predicated on the fact that looted funds in most cases are stacked in foreign accounts, thereby robbing the country of adequate funds and depriving the local citizens of resources meant for meaningful developmental efforts. The aftermath of this unholy act therefore is increase in the poverty profile of the nation-state. (Kolawole & Torimiro 2016).

v. Political Instability: Political Instability has also been linked to corruption and this can be seen in the illegal takeover of government as a result of military coups, embezzlement, nepotism, looting, bribery and vote buying, all of which are by-products of corruption. Corruption has assumed a national dimension and accounts for the failures of poverty reduction programmes as the greater part of the nation's wealth has been dispensed to the few privileged at the expense of majority who continue to live in absolute poverty.

vi. Unemployment: Labour is the most abundant resource at the disposal of the poor (Ajakaiye & Adeyeye, 2014). If this resource is not utilized due to unavailability or insufficient jobs, then poverty thrives. It is also opined that employment is a key determinant of poverty. Gainful employment is important for individuals to earn income and escape from "income" poverty. While generally in countries of the world, the non-poor suffer from transitional or involuntary unemployment, the poor are faced with problems of structural unemployment due to lack of skills or extremely low educational levels, medical problems, geographical isolation and in some countries, discrimination based on race or other attributes. Also related to the problem of unemployment is the issue of underemployment, which is said to occur largely in the informal sector and results in low incomes for an important segment of the labour force, particularly in rural areas.

vii. Poor Human Development/Low Level of Education: Human development is identified as key for capability to escape from poverty (Ajakaiye & Adeyeye, 2014). Continued investment in human capital with improvements in efficiency is necessary to sustain reduction in poverty. This is because investment in people can boost the living standards of households by expanding opportunities, raising productivity, attracting capital investment, and increasing earning power. In addition, providing additional educational opportunities for adolescents may prevent some youths from becoming involved with gangs, drugs and violence, given the evidence linking the perpetrators of crime with school dropouts.

According to Anyanwu (2014), labour is by far the most important asset of the poor; therefore, increasing the education of the poor will tend to reduce poverty. By implication education increases the stock of human capital, which in turn increases labour productivity and wages. In fact, a cyclical relationship was found between education and poverty, in that a vicious cycle of poverty in that low education leads to poverty and poverty leads to low education. In Nigeria, however, it was found that having no education significantly increased the level of poverty, while on the other hand and more pleasantly, holding a post-secondary certificate in Nigeria significantly reduces poverty.

viii. Poor Health Condition: It is popularly said and truly too, that "health is wealth". This is because good health is basic to human welfare and a fundamental objective of social and economic development. Poor health on the other hand shackles human capital, reduces returns to learning, impedes entrepreneurial activities and holds back growth and economic development. Diseases cause poverty and vice-versa. In most countries of the world, major diseases causing poverty include malaria, HIV/AIDS and other infections. In Nigeria, for instance, AIDS prevalence is about 5.4% with an infected adult population of 2.6million. This will constrain the availability and participation of this segment of the population in the labour market to earn income. (Ajakaiye & Adeyeye, 2014)

ix. Debt Burden: In several developing countries of the world, the debt burden had grown to a crises level and is assuming increasing importance as a cause of poverty. The major factors that escalated the debt situation in those countries include mismanaged lending and spending, corrupt leadership, harsh conditionality associated with the World Bank and IMFs' Structural Adjustment Policies among others (Salawu et al, 2016). In such countries, the amount of resources needed to service the debt (internal and external) is enough to provide some sort of socio-economic development (Anger, 2013). The aftermaths are that the productive sector such as agriculture, manufacturing etc. are constrained, leading to low productivity, low capacity utilization, under employment and low purchasing power, thereby subjecting the masses to abject poverty. In Nigeria, it is reported that at the end of December 2000 external debt stood at US$28.5 (about 80% of GDP). The amount required to service this debt annually is enough to hamper government expenditure for the provision of social and physical infrastructure for the poor (Ajakaiye & Adeyeye, 2014). World Bank (2002) reported that Nigeria's yearly bill on debt service had been in the range of $3.0 billion to $3.5billion. The actual debt service outlay for 2000 was over $1.9 billion, which translates to about 4 times the Federal Government's budgetary allocation to education and about 12 times the allocation for health". Except for the debt relief enjoyed in 2006, Nigeria's debt burden was enough to impoverish even the generation yet unborn.

It is also observed that the respite from the debt bondage was ephemeral, as the debt had begun to build rapidly, causing worries even to government as former Minister of Finance Dr Ngozi okonjo-Iweala was reported to have alluded to. For instance, as at April 17, 2012, the then Finance Minister declared that Nigeria's public debt stood at US$44bn for both domestic and external (Egbide, 2015). It is therefore not surprising why the allocation to debt services in the 2012 budget proposal of about N600bn was far more than the allocation to five core ministries (education, agriculture, transport, communication and housing) together- N578.76bn (Jonathan, 2011)

x. Poor or Inadequate Governance: The persistence and pervasiveness of poverty in several countries has been linked to the lack of popular participation in governance and decision-making as well as a weak institutional base. This is also referred to as poor leadership (Anger, 2013). The governance problem also relates to deficiencies in the ability of a government in providing its citizens with a conducive socio-economic environment to reside, which inevitably causes a state of poverty in the country. It also leads, among other things, to poor accountability, lack of transparency in resource allocation, weak programmes implementation and monitoring, scuttled development programmes, waste resources and renders poverty reduction initiatives ineffective (Ajakaiye & Adeyeye 2014).

2.2.8 Poverty Incidence in Nigeria: 1980-2010

Although poverty is a global phenomenon, it is more pronounced in developing countries especially Sub-Saharan African countries than elsewhere in the world (World Bank as cited in Ikwuba, 2014). In Nigeria, the poverty situation has for a fairly long time been a cause for concern to the government. It is pervasive, with no geographical boundary. It is visible in the North, South, East and West as well as the rural and urban areas of the country, though the rural dwellers are the worst victims. According to Egbide (2015) poverty is the most pathetic feature of the Nigerian society because majority of her citizens are living in a state of destitution. Table 2.1 clearly shows that the poverty percentage has been on a steady increase from 27.2% in 1980 to 77% in 2009. In 2010 the poor percentage dropped from 77% in 2009 to 69%, and increased again to 71% in 2011. The table also shows that the number and proportion of the population living below the poverty line (the number of people who are poor) in Nigeria have been on a steady rise since 1980. This indicates an off-track performance from the MDG of reducing by half extreme poverty and hunger by the year 2015. It also indicates that unless something drastic is done; the realisation of MDGs and Vision 20:2020 are not in view.

Table 2.1: Trend in Poverty Level in Nigeria: 1980-2010

Year	Population	Poverty Incidence %	Population in Poverty
1980	65m	27.2	17.7m
1985	75m	46.3	34.7m
1990	97m	43.8	42.5m
1995	110m	59	64.9m
2000	125m	70	87.5m
2005	141m	77	108.6m
2010	163m	69	112.5m
2011	168m	71	119.3m

Source: FOS (2000) cited in Kale (2014).

Furthermore, the harmonized Nigeria living standard survey (HNLSS) 2009/2010 revealed the following poverty lines as at 2010 in local currency denomination; Absolute Poverty line of N54, 401.16, Food Poverty line of N39, 759.49, Relative Poverty line of N66, 802.20 and a Dollar-per-day Poverty line of N54, 750 (Kale, 2014). It should be noted that while the absolute poverty line considers both the food expenditure and non-food expenditure using the per capita expenditure approach, the food poverty line is an aspect of absolute poverty measure and considers only food expenditure for the affected households. Under the relative poverty approach, a person is considered poor if his per capita expenditure is less than N66, 802.20, otherwise he is non-poor. A dollar-per-day poverty line considers all individuals whose expenditure per day is less than a dollar per day using the exchange rate of Naira to Dollar in 2009/2010 as poor. The subjective Poverty measure is the perception of the citizenry as to who is poor and who is not. It is neither related to Per Capita Expenditure of household nor the country adult – equivalent scale. From the survey result, the core poor is 46.7 percent, moderate poor is 47.2 percent while the non-poor is 6.1 percent (Kale, 2014). The HNLSS also revealed that Gini Coefficient (Inequality Measurement) was 0.4296 in 2004 and 0.4470 in 2010 indicating that inequality increased by 4.1 percent nationally. The Gini Coefficient measures the inequality in income or expenditure or better still, it explain the spread of income or expenditure but cannot explains increase or decrease of individuals or persons in poverty.

Analyses of the incidence of poverty by zones using the different poverty lines (table 2.2) show that for the food poverty measure, the North West (NW) is the poorest zone in Nigeria while South West (SW) is the least poor. On the basis of Absolute Poverty, the NW with 70% poor population was poorest and SW with poor percentage of 49.8% is least poor. For relative poverty and Dollar-per-day poverty, the NW with poor percentage of 77.7 and 70.4 respectively still remains the poorest while the NW also retained its position as the least poor zone in the country.

Table 2.2: Incidence of Poverty by Zones using different poverty measures (%)

Zone	Food Poor	Absolute Poor	Relative Poor	Dollar per day
North Central	38.6	59.5	67.5	59.7
North East	51.5	69.0	76.3	69.1
North West	51.8	70.0	77.7	70.4
South East	41.0	58.7	67.0	59.2
South South	35.5	55.9	63.8	56.1
South West	25.4	49.8	59.1	50.1

Source: Kale (2014)

HNLSS further analyzed and distributed relative poverty into extremely poor, moderately poor and non-poor in Nigeria from 1980-2010 as shown in table 2.3. The table shows that within the period considered, the percentage of moderately poor and extremely poor increased from 26% to 69% while the percentage of the non-poor plummeted from 72.8% to 31%.

Table 2.3: Relative Poverty: Non-poor, Moderately poor and the extremely Poor: 1980 – 2010

Year	Non- Poor	Moderately Poor	Extremely Poor

1980	72.8	21.0	6.2
1985	53.7	34.2	12.1
1992	57.3	28.9	13.9
1996	34.4	36.3	29.3
2004	43.3	32.4	22.0
2010	31.0	30.3	38.7

Source: Kale, (2014)

2.2.9 Efforts towards Poverty Reduction in Nigeria

Although the issue of poverty reduction gained prominence in the 1980s, poverty reduction-related programmes in Nigeria can be traced to about a decade after independence (Ogwumike, 2015). By the end of 1998, there were not less than sixteen poverty reduction institutions in the country. By poverty reduction, we mean the deliberate measures adopted by government to significantly reduce the percentage of the population described as poor. According to Egbide 92015), poverty reduction is the lifting of the poor out of poverty either through reliance on direct or indirect measures. Direct measures relate to the redistribution mechanism such as budgetary allocation etc., while the indirect measures relate to reduction of poverty engendered by economic growth.

In Nigeria, the earliest of these efforts at poverty reduction were the introduction of the National Accelerated Food Production Programmes (NAFPP) and the Nigerian Agricultural and Cooperative Bank (NACB) by the then military Head of State, General Yakubu Gowon in 1972. Both NAFPP and NACB were devoted entirely to providing funding for agriculture. Unfortunately, nothing substantial was achieved from these programmes; they were mere waste of resources (Ikwuba, 2014). In 1976 the then military Head of State, General Olusegun Obasanjo, motivated by the widespread hunger in the nation, introduced Operation Feed the Nation (OFN). The aim of OFN was among other things, to enhance agricultural development and productivity by boosting the supply of inputs such as fertilizers, improved seeds, pesticides, credit facilities etc. to farmers. Two institutions were established in addition to NACB to give impetus to Obasanjo's OFN. These were the Agricultural Development Project (ADP) in each state of the Federation and the River Basin Development Authority (RBDA). Like the previous programmes, OFN was reported to have failed because it was directed by the bureaucratic bourgeoisie for their own selfish interest, and only succeeded in creating awareness of food shortage (Ikwuba, 2014), In 1980, the OFN was replaced with the Green Revolution (GR) by the then President Shehu Shagari. The main aim of GR was to curtail food importation by increasing food production, boost exports of agricultural products by encouraging big farming as well as ensure rural development (Ikwuba, 2014). In order to facilitate the achievement of the GR, the institutional structures set up by the earlier administrator namely, NACB, ADP and RBDA, were utilised. Again, GR like the ones before it ended in 1983 without any positive impact on the rural poor. Central Bank of Nigeria (CBN) (1998) in Ogwumike, (2015) attributed the failure of both the OFN and GR to three factors namely: lack of political will, policy instability and insufficient involvement of beneficiaries in the programmes. It is also opined that the Green Revolution failed because many senior civil servants, military officers and high profile businessmen high-jacked the process for their own selfish interest. They turned themselves into big time ‘ghost’ farmers, distributors of inputs (such as fertilizers) and acquired large hectares of land for speculative purposes and as a conduit for their corrupt practices. In 1984, General Mohamed Buhari introduced the “Go Back to Land” programme which was short-lived and fizzled away in the same year (Ikwuba, 2014).

In 1986, during the regime of General Ibrahim Babangida, Nigeria adopted the IMF-led Structural Adjustment Programme (SAP), and established the National Directorate of Employment (NDE) as well as the Directorate of Food, Roads and Rural Infrastructures (DFRRI) (Ogwumike, 2015). According to Egbide (2015), SAP brought out more forcefully the need for policies and programmes to alleviate poverty and provide safety nets for the poor. Although SAP brought some salutary effects on economic growth, it lacked emphasis on development, hence heightened socio-economic problems such as income inequality, unequal access to food, shelter, education, health and other necessities of life. The summary is that SAP aggravated the incidence of poverty among Nigerians and worsened their living conditions (Ogwumike, 2015).

The Directorate of Food, Roads and Rural Infrastructure (DFRRI) was also created by the Babangida administration. DFRRI was a multi-sectoral programme with emphasis on the reduction of rural poverty and enhancement of the quality of rural life. The focus of the government under DFFRI was on rural roads, rural water supply and agriculture. Even though the programme was well designed, it was highly politicised and bedevilled with corruption, hence it could not achieve the desired objectives (Ikwuba, 2014). The establishment of the National Directorate of Employment (NDE) served as the main organ of employment creation during the Babangida administration or the SAP era (Ogwumike, 2015). Accordingly, NDE had two main objectives and four adjunct institutions to facilitate its mandate. The objectives were to design and implement programmes to combat mass unemployment, and to articulate policies aimed at developing work programmes with labour intensive potentials. The four programmes under NDE were: the Vocational Skill Development Programme (VSD), the Special Public Work Programme (SPW), the Small Scale Enterprises Programme (SSE) and the Agricultural Employment Programme (AE) (Ogwumike, 2015). Available evidence indicated that NDE made remarkable progress in fulfilling its mandate. For instance, between 1987 and 1996, 766,783 persons were trained under the National Open Apprenticeship Scheme (NOAS) and 154, 910 persons were gainfully employed under the Special Public Works Programme (SPW) (Ogwumike, 2015). Nevertheless, NDE has not been able to cope with the employment needs of the increasing number of applicants in the country because of inadequate funding (Ogwumike, 2015).

During the same regime, the wife of the then President, Mrs Maryam Babangida, established the Better Life for Rural Women (BLP) with the aim of caring for the rural poor. Still, BLRW was reported to have been hi-jacked by the ruling class who turned it into a huge business venture; hence, it did not significantly benefit the rural poor. BLRW was replaced by the Family Support Programme (FSP) and the Family Advancement Programme (FAP) established by the General Sani Abacha administration. These new programmes adopted the objectives of the Better Life Programme and ended up with no significant impact on the poor. Ogwumike (2015) asserted that like BLP, both FSP and FAP were well focused on the rural areas and on the agricultural sector, they were poorly executed; hence they could not benefit many of the poor in several communities. In fact, the programmes were perceived as taking the Nigerian poor for a ride.

Another development worth mentioning in the journey of poverty reduction in Nigeria is Vision 2010. This was an initiative of the former head of state, General Sani Abacha in 1995. The document, which was created by a 248- member committee, was conceptualized to hopefully guide the country out of poverty and to bring about significant improvement in our economy. Some of the intentions of Vision 2010 were: better educated population, decreased dependency on oil, reduction in unemployment through job creation, stable democracy and reduction in corruption among others. Among the measures set out to address those concerns where increased private sector participation to enhance competition and a plan to appropriate over one quarter of the government's budget to education. However, the implementation of the blueprint of Vision

2010 was said to be difficult due principally to policy inconsistency or lack of continuity in governance as well as policy indiscipline.

At the inception of democracy in 1999, the government embarked on the Poverty Alleviation Programme (PAP), which was aimed at job creation. By the end of 2000, many Nigerians were yet to feel the impact of PAP. According to Ogwumike, (2015), PAP failed because of the inability to identify the poor and the nature of their poverty among others. In 2001, the civilian regime of President Olusegun Obasanjo established the National Poverty Eradication Programme (NAPEP). NAPEP adopted a four- prong strategy for achieving its mandate. These were: Youth Empowerment Scheme (YES), Rural Infrastructural Development Scheme (RIDS), Social Welfare Service Scheme (SWSS) and National Resources Development Scheme (NRDS). These programmes, although said to be comprehensive and well-articulated have not been able to make a dent on poverty since then because of inefficient approach and poor implementation (Ikwuba, 2014).

Furthermore, and in order to leverage on her membership of the United Nations and to benefit from the global strategy in the fight against poverty, Nigeria keyed into the Millennium Development Goals (MDGs) and subsequently produced a policy document called the National Economic Empowerment and Development Strategy (NEEDS) in 2003. The Millennium Development Goals (MDGs) comprise a set of eight time-bound goals and associated targets to be achieved by 2015. These goals and targets are to:

i. eradicate extreme poverty and hunger, with a target to halve the proportion of people living on less than one US dollar per day between 1990 and 2015

ii. achieve universal primary education with the target to ensure that by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling;

iii. promote gender equality and empower women with the target to eliminate gender disparity in primary and secondary education.

iv. reduce child mortality with the target to reduce by two-third, the under-five mortality rate between 1990 and 2015;

v. improve maternal health with the target to reduce by three quarters, the maternal mortality rate between 1990 and 2015;

vi. combat HIV/AIDS, malaria and other disease, with the target to halt and begin to reverse the spread of HIV/AIDS by 2015;

vii. ensure environmental sustainability; with the target to integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources;, halve by 2015, the proportion of the population without sustainable access to safe drinking water and basis sanitation and by 2020 to have achieved a significant improvement in the lives of at least 100 million slum dwellers; and

viii. develop a global partnership for development, with the target to develop an open rule-based non-disciplinary trading and financial system; address the special needs of the least developed countries (United Nations, 2011)

NEEDS was Nigeria's home-grown poverty reduction strategy intended to facilitate the achievement of the MDGs. Specifically, NEEDS has the following actionable goals: wealth creation, employment generation, poverty reduction and value re-orientation. NEEDS as a national policy, was intended to meet some of the goals of the MDGs, especially poverty reduction. In assessing the performance of MDGs and NEEDs in Nigeria, especially as it relates to poverty reduction, it was submitted that MDGs have performed below expectation (Anger, 2013). The implication is that the MDGs' goals and targets for 2015 may be a mirage unless drastic measures are taken.

Other very recent home grown poverty reduction programmes that deserve brief attention in this work include: the Seven-Point Agenda (SPA) of President Yar'Adua and the Transformation Agenda (TRANSA) and Sure-P programme of President Jonathan. Most recently, the current administration of President Buhari introduced N-power programme and Operation "monthly N5,000 stipend to unemployed youths", all in a bid to reduce poverty incidence in the country.

In summary, the anti-poverty policies have been too numerous and inconsistent, and this in part can explain the disappointing outcomes in the past three decades with respect to poverty incidence. Although, Egbide (2015) observed that some of the poverty-reducing efforts of government yielded some positive results, especially in the areas of agriculture, primary health care, education enrolment, mass transit programme and financial sector services through the People's Bank of Nigeria and the Community Banks.

Generally, however, the poverty-reducing efforts of government notwithstanding, the poverty situation in Nigeria has deteriorated to a crisis level where seven out of every ten Nigerians are poor and majority of the people cannot find food to eat (NEEDS, 2004; Ikwuba, 2014). A recent report from the National Bureau of Statistics (NBS) shows that 112.519 million Nigerians or 69% live in relative poverty while 99.284 million or 60.9% live in absolute poverty. These unimpressive statistics to a great extent indicate that those strategies were ineffective. A number of factors have been attributed to the failures of the past poverty-related programmes and efforts of government. These include: severe budget management problems, lack of accountability and transparency and lack of targeting mechanisms for the poor. Others are political and policy instability, poor coordination, lack of consultation and participation of the beneficiaries in the formulation and implementation of the programmes (Aborishade, 2016). This view was also shared by Ikwuba (2014), who emphatically asserted that the failure of the past poverty-reducing efforts was because they were all initiated by government and then passed down to the people (top-down approach) without due consultation, participation or involvement by the poor in the programme initiative, execution, coordination and implementation. She therefore recommended a bottom-up approach to poverty reduction in Nigeria as a way forward.

2.2.10 Relationship between Public Budgeting and Poverty Reduction

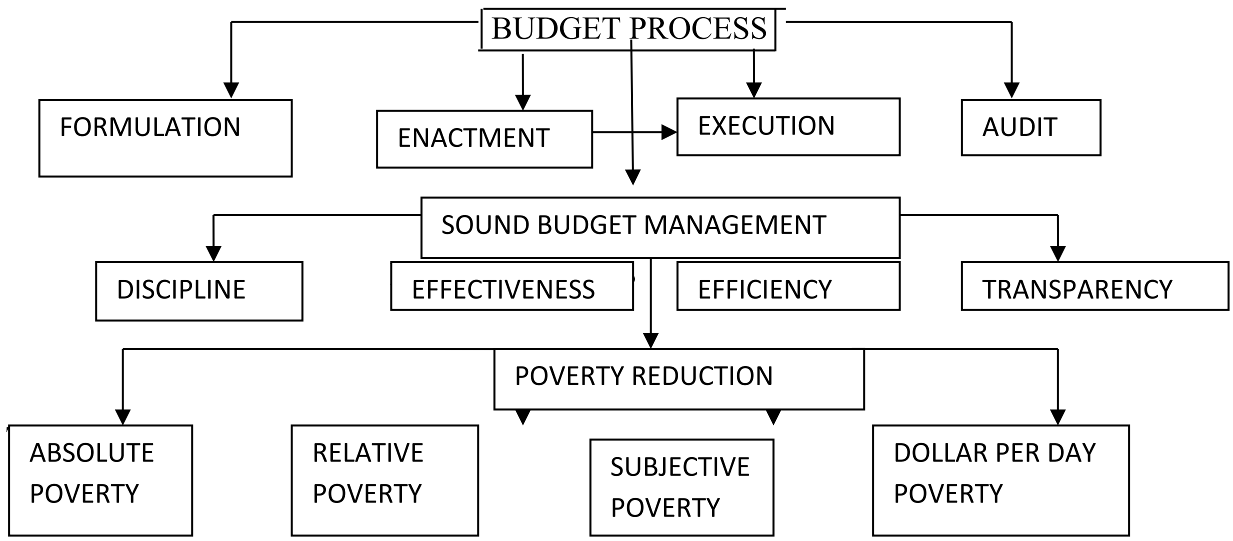
The conceptual relationship between public budgeting and poverty reduction can be gleaned from the pivotal role of government budget in an economy. First, a budget is the government's most important document that includes four interconnected dimensions namely, as a political instrument, administrative instrument, an economic instrument and an accounting instrument (Kumar, 2015). For instance, as a political instrument, it directs the allocation of public resources among the social and economic need of the government for the purpose of fulfilling national and political promises. Also, Kumar (2015) asserted that the budget is not only a primary expression of government's priorities; it is also an instrument of fiscal policy. As a principal fiscal policy instrument, it is used to encourage high employment, growth, stability and prosperity in an economy. As an administrative instrument, the budget directs the affairs and operations of government, while from the accounting point, the budget serves as an instrument that ensures accountability among others.

It is clear from the foregoing that, from whatever field budgeting is viewed, it aids the achievement of government's operational goals, and poverty reduction remains a common goal of any government to its citizens, especially in developing countries where the incidence of poverty is escalating. Again, talking about government's priorities, it is almost unequivocal that the issue of poverty reduction ranks top in many national, regional and global agenda. For example the Millennium Development Goals (MDGs) provide one example of global organization with poverty reduction as it top priority agenda, while NEEDS, Seven-Point Agenda, as well as Transformation Agenda are example, of Nigerian National Development Plan with poverty reduction among the top priority programmes (Osanyintuyi, 2016).

However, a budget that will deliver economic value to the nation and reduce poverty must not only be effectively prepared, it must also be efficiently implemented. It is in the light of this that Kumar (2015) asserts that a budgeting process that respects the principle of effectiveness and efficiency, even though it would not achieve economic development, often assimilated to physical development, would at least improve the quality of life of the citizens and communities, which is the ultimate goal of every nation.

Figure 2.2 provides a pictorial relationship between public budgeting and poverty reduction. The figure showed a two-stage link from budget process to budget management and then to poverty reduction. The budget process as explained earlier refers to the series of tangible stages of activities to be carried out from inception to completion of the budget's cycle. Although the number of stages in the process could vary depending on the perception of the author, a four-stage process was adopted in this model, namely, formulation, enactment, implementation and audit.

Figure 2.2: Conceptual Relationship between Budgeting and Poverty Reduction



Source: Egbide (2015)

Budget management on the other hand, refers to the ingredients that need to be in place and operational for the budget to deliver the expected outcome. These ingredients include: discipline, efficiency, effectiveness, transparency. It should be noted however, that while the stages in the process occur one at a time, all the sound budget management ingredients should be operational at each stage of the process. For instance, at the formulation stage, there must be discipline, efficiency, effectiveness as well as transparency, and the same should apply to budget enactment, budget execution as well as budget evaluation/ audit. More so, our conceptual budget-poverty model portrays the fact that the output/outcome of government's budgetary operations (process and management) is poverty reduction. In other words, the model indicates that if the four budget process stages are properly conducted, intermingled and blended with the ingredients of sound budget management, poverty will be reduced in both its incidence and severity. This is in consonance with the opinion that the ultimate goal of budgeting is to improve the lives of the people (Osanyintuyi, 2016). It is in fact the main thrust of this study. Better still it is the researcher's view of how to 'budget away poverty' (BAP) in Nigeria.

Poverty reduction was operationally classified into four, namely, absolute poverty, relative poverty, subjective poverty and dollar-per-day poverty in tandem with the four poverty measures used by the Nigeria Bureau of Statistics (NBS) in the Harmonized Nigeria Living Standard Survey (HNLSS) 2009/2010 (Kale, 2014).

2.2.11 Allocative Efficiency of the Budget Process (Budget Effectiveness) and Poverty Reduction

The theoretical link between budget allocation and poverty reduction can be gleaned from the public choice theory, which clearly explained that the budgetary process provides a mechanism for allocating resources among many competing forces. In fact, the core of a budgeting process is the allocation of limited resources among competing demands to meet the needs of governments and other public organizations (Allen, 2014). Given this assertion, improvement in the living condition of citizens, including poverty reduction, cannot be wished away, as it constitutes one of the biggest needs of the governments of many countries today, developed and developing. This therefore places a demand for efficiency on budgetary allocations. According to Olomola (2015), it is efficient or meaningful budgetary allocation to sectors of the economy that could bring government closer to the people and, by extension, reduce poverty. Allocative efficiency of the budgetary process means that the resources of the government are channel led to areas or sectors of the economy that will facilitate the achievement of government's macroeconomic needs in consonance with citizen priorities. In the words of Salawu et al (2016), budgetary allocation to key sectors of the economy has positive effects that can enhance equity and ultimately reduce poverty.

Budgetary estimates can be allocated to two broad areas: capital and recurrent expenditure. Whereas capital allocation is meant to add to or increase the capital stock in an economy, recurrent allocation is for non-asset expenditure of government. In other words, 'capital expenditure is paying for non-financial assets used in the production process for more than one year, while recurrent expenditure is payments for non-repayable transactions within one year. These two broad classifications of government expenditure can further be decomposed into four, namely: administrative expenditure, economic services, social services and transfers. Administrative expenditure relates to expenditure on general administration, national assembly, defence and internal security; Economic services are expenditure on the productive sector of the economy. These include expenditure on agriculture, construction, transport and communication as well as expenditure on other economic services. Social services expenditure includes: education, health and other community services, while transfers include public debt repayments as well as pension and gratuities (Central Bank of Nigeria, 2012). Generally, government's budgetary allocations are undoubtedly one of the most used sources of capital for development in

Nigeria. This, by implication, presupposes that sufficient and effective budgetary allocation can go a long way to fast-track economic growth and development including poverty reduction.

2.2.12 Budget Discipline and Poverty Reduction

Budget discipline is another tenet of sound budgeting, and is closely related to both allocative efficiency and operational efficiency, the distinguishing factor being its demand for strict adherence to rules and numbers. In plain terms, budget discipline refers to the degree of adherence to rules and limits in the preparation and implementation of budgets (Olaoye, 2015). It covers three main areas; i) adherence to stated budgeting policies without wavering; ii) adherence to budget calendar in development, approval implementation and monitoring; iii) adherence to approved estimate in appropriation Act (Oloaye, 2015). These three dimensions of budget discipline (policy discipline, timing discipline and numerical discipline) have implications for the preparation and implementation of the budget, as well as the outcome of the budget process. Discipline brings sanity into the budgetary system and provides a mechanism for ensuring that budgets achieve their stated objectives including poverty reduction. On the other hand, without discipline, resources are most likely bound to be wasted, creating fiscal gaps which put an economy under pressure to borrow. In the words of Ogbulu and Torbira (2015), "Allocational efficiency is achieved when the budgetary operations through its resource allocation role succeeds in resolving financial imbalance that exists between the revenue and expenditure side of the national budget".

It is discipline that resolves the imbalance in the budgetary system. Budget discipline is not only a fundamental tenet of sound public financial management but also a crucial requirement for enabling government to perform its duties and create a stable economic framework that engenders prosperity (Ikwuba, 2014). This presupposes that national prosperity is a function of fiscal or budgetary rigours whether the country is a developing or developed nation. It is therefore not surprising why all European Union (EU) countries have agreed to operate within a range of fiscal rules. To this extent, therefore, a budgeting system that allows persistence deficit is an indication of budget indiscipline, unless the deficit is a planned one for the purpose of stabilising the economy during recession. As Olaoye (2015) observed, from whichever angle one looks at the subject of budget discipline, Nigeria still has a long way to go. This observation is hinged on the premise that budgetary process in the last three decades was always distorted by budget indiscipline, as manifested in the forms of unsustainable extra budgetary expenditure, unfavourable budget variances and lack of budget integrity, all of which translate to a weak method of delivering public good to citizens, among others (Aruwa, 2014; Olomola, 2015; Olaoye, 2015). This again theoretically affirms the reason for the abysmal performance of Nigeria's budgets and the worsened poverty level.

2.2.13 Operational Efficiency of the Budgetary Process and Poverty Reduction

It is not just enough to allocate resources efficiently; the allocated resources have to be administered efficiently as well if the objective of the budget has to be attained. This is the whole concept of budget operational efficiency. More formally, budget operational efficiency connotes the degree to which the budgetary resources are utilized to meet societal needs. In other words, it is the capacity to use budget input to generate budget output and outcomes. It is an element of performance based budgeting, which entails budgeting for result. However, budgeting for results require that governments must also manage for results. That is, they must organize administrative operations and deliver services to optimize the outputs that agencies produce (Allen, 2014).

One way by which the efficiency of budget administration is measured is through the debt profile of a nation. This is because, budget inefficiency creates a fiscal gap which is most times financed by borrowing. In Nigeria, the external debt outstanding rose from US$13.1m in 1964 to an unbearable level of US$36 billion in 2004 before the debt relief in 2006, (Debt Management Office, 2005). Six years after the debt relief, the debt profile of Nigeria stood at over US$ 44 billion for both domestic and external (Ikwuba, 2014). Public debt and its associated repayments drain a nation of resources that would have otherwise been used to address infrastructural and productive ends. For instance, Nigeria's 2012 budget allocated N600 billion for debt servicing; this is higher than the allocation to key agencies of government combined, namely: Education: N400.15 billion; Agriculture, N78.98billion; Transport, N54.83billion; Communication, N18, 31billion and Land and Housing, N26.49billion (Jonathan, 2011).

Consequently, if the opinion of Kumar (2015) that heavy debt burden exacerbates poverty in low income countries and is a significant obstacle to poverty reduction goal is anything to go by, then there will be no surprise as to why Nigeria's poverty is on the increase in spite of rising government budgetary estimates.

2.3 Empirical Framework

Although the link between budgets and poverty reduction has been described as weak in some regions and non-existent in others, several conclusions can be inferred from related studies. Generally speaking, the budget as a whole affects directly or indirectly the lives of the poor, with some specific safety nets more closely associated with their daily activities (Lucien, 2002). In support of this view, Overseas Development Institute (ODI) (2004) concluded that budget, and how public funds are raised, allocated and managed, and are the main avenues through which governments channels resources for carrying out their functions, including poverty reduction. These views are in congruence with the view that the budget is the most rational, most acceptable and legal medium for raising and allocating resources to implement government programmes. In relation to this, several researchers have had their say on the issue of budget allocation and the incidence of poverty in Nigeria and abroad, indicating the relevance of budgets in poverty reduction and the negative effect of poor or ineffective budgeting on poverty incidence.

Fozzard, Holmes, Klugman and Withers (2013) asserted that the practice of public expenditure management in many countries is an obstacle to the achievement of poverty reduction objectives. They added that fragmented budgets and an exclusive focus on inputs are among the factors that have undermined the ability of budget systems to discipline policy making and to facilitate performance feedback that would improve outcomes.

In support of the above view, Oduro (2015) opined that public expenditure can have a mitigating effect on poverty through the provision of infrastructure and services to the poor, creating the conditions that will enhance the ability of the poor to accumulate assets, facilitating the creation of institutions that will reduce the incidence of risks facing the poor and reduce the impact of negative shocks through the provision of safety nets among others. Taking the case of Ghana, he specifically asserted that public sector spending is an important component of the Ghanaian poverty reduction strategy. He, however warned that public expenditure programmes for poverty reduction must include a strategy on how finances will be generated to fund the programmes in order to prevent the emergence of large budget deficits that will create economic instability and dampen economic growth. He added that any poverty reduction package must be accompanied with an increase in economic growth as a core component.

In a related development, Olaniyan (2011) examined empirically the role of household physical and human assets endowments in determining poverty in Nigeria using data from the national consumer surveys of 1985, 1992 and 1996. He found education as a significant determinant of rural and urban poverty. The implication of his empirical outcome is that if expenditure on education is increased, there will be a likelihood of significantly reducing poverty both in the rural and urban areas in Nigeria, all things being equal.

Lucien (2012) asserted that there is a link between public budgeting, economic growth and the level of poverty. In his paper on sound budget execution for poverty reduction, he contended that efficient and effective public spending programmes are critical to the promotion of economic growth and equitable access to economic opportunities. It was also his opinion that if a budget is well planned and implemented, it will engender technical and allocative efficiency as well as equity. In the same vein, a weak and poorly implemented public budget only translates to high level of poverty. While all the aspects of the budget should be vital to poverty alleviation, Lucien emphasised budget implementation, since a best design budget can be undetermined by shortcomings in the actual spending of funds.

In the same vein, Fan, Huong and Long (2014) studied government spending and poverty reduction in Vietnam and opined that government spending reaches the poor through many different ways, including spending on agriculture, infrastructure and education. Accordingly, government fiscal spending in agricultural research could improve agricultural productivity and increase rural wages which in turn reduces rural poverty. Also, government spending in infrastructure and education may promote growth through increase in employment and wages, thereby contributing to poverty reduction.

In Indonesia, Birowo (2014) studied the relationship between government expenditure and poverty rate. Adopting both qualitative and quantitative methodology, and analyzing data using Ordinary Least Square regression, he found the relationship between budget growth and poverty to be positive and insignificant. Also, his study found out that only education expenditure exhibited a stable negative relationship with poverty rate.

Wilhelm and Fiestas (2015) while exploring the link between public spending and poverty reduction; identified two main ways by which budgeting can affect growth; through raising the overall growth performance of the economy and through increase in the chances of the poor to contribute to the growth process by strengthening human capabilities and reducing transaction costs. These two ways can influence the poverty level. However, growth focus expenditure affects the poor indirectly through the trickle-down effect. They emphasize the critical challenge of striking the right balance between spending that focuses primarily on growth and spending that aims at reducing poverty. Their study reveals the main findings in literature using different econometric and statistical methods, that expenditure on agriculture, education and infrastructure has a positive effect on poverty reduction, with agriculture yielding the highest return. This, to a great extent, explains the poverty situation in Nigeria, with the concentration in oil at the expense of other sectors, especially agriculture.

In a collaborative project between the International Food Policy Research Institute and the Arab Planning Institute in Kuwait, Chemingui (2007) assessed the impact of an increase in public spending in priority areas on economic growth and poverty reduction in Yemen. The study builds a dynamic Computable General Equilibrium model (DCGEM) to provide a baseline scenario of changes in the economy and poverty level in Yemen during the period 1998-2016. It also compared alternative scenarios to isolate the specific impact of several policies on poverty. The scenarios assume an increase in public spending devoted to three priority areas, namely, agriculture, education, and health, which was considered to affect the economy through an increase in sectoral or economy-wide technical factor productivity. The study found that targeted budgeting which increased amounts of public spending towards education and health services will generate more economic growth and poverty reduction than increasing public spending solely on the agricultural sector. It was also found that when an oil sector is a prominent part of the economy, as in Yemen, additional public spending on health and education does not improve productivity in the oil sector, and hence, may not have significant impact on poverty reduction. The implication is that spending on agriculture becomes the most important channel for poverty reduction and economic growth.

In a study of the link between public spending, governance and outcomes, Rajkumar and Swaroop (2010) found that public spending most times does not yield the expected improvement in outcome. They attributed this seeming deviation to the quality of governance, explaining that public spending on health and education for instance can lower child mortality rates and increase education attainment more in countries with good governance, but in poorly governed countries such expenditure has virtually no impact on health and education outcomes. The reason for this is because poor governance is likely to engender inefficiency and ineffectiveness in the management of funds as well as indiscipline and corruption which are among the factors that stifled poverty reduction efforts in any society. The implication of this finding is that while public spending is important for the poverty reduction effort, the quality of governance determines the impact of such expenditure.

Bloj (2012), studied the budgeting process and the implications on social policies and poverty reduction, and opined that the recent tendencies in developing countries towards results – oriented budgeting approach is in order. The reason is that, this new management approach is believed to be directly connected with poverty reduction through the Medium Term Expenditure Framework (MTEF). It was however recommended that for this new budgeting approach to have the required impact on poverty and inequity, certain conditions must be in place. These are: a) the reinforcement of an appropriate distribution of expenditure competencies and functions between the central government and sub-national agencies in order to avoid overlapping, competition, or expenditure unbundling; (b) the adoption of horizontal coordination between regional and local governments tending to maximize advantages and "good practices;" (c) the implementation of expenditure assessment and control mechanisms; and (d) the reinforcement of the broadening of transparency, temporal horizons and budget sustainability.

In a study on public sector spending and rural poverty reduction in the south eastern states of Nigeria, Akpan and Orok (2015) using descriptive technique and the non-parametric statistic, on a 26 year-federal-government data (1980-2005), found among others that budgetary provision for the poverty reduction programme have been unsatisfactory and ineffective and that actual release of even the allocations are grossly delayed. This, according to them, had not only affected the implementation of the poverty reduction programmes of government but had translated to underdevelopment and high incidence of poverty in the country. This finding suggests that government expenditure or budget is a significant determinant of poverty reduction. The implication is that an increase in the provision or allocation to poverty reduction programmes of government coupled with sound management and efficient project implantation could mitigate the poverty crises in the Nigeria.

Also, Anger (2010) in crafting a way out of the poverty crises in Nigeria, advocated increase in budgetary allocation for the provision of social services that are beneficial to the poor, fostering efficient macro-economic and sectoral policies and the provision of an enabling environment to facilitate the private sector economic framework. This recommendation, to say the least, emphasises the relevance of budgetary allocation or better still, the role of public expenditure on poverty reduction. It can also be deduced from Anger's recommendations that any expenditure that has direct bearing on poverty reduction must relate to social services (e.g. Education, Health, etc.) and infrastructures that will enable the private sector to thrive (e.g. roads, Power etc.).

Egbide (2015), in his own study attempted to establish the relationships between the attributes of sound budgeting namely: allocative efficiency, operational efficiency, budget discipline and budget reforms and poverty reduction in Nigeria. To achieve these objectives, he employed both primary and secondary data, namely questionnaires and official government publications sourced from Central Bank of Nigeria (CBN) and the National Bureau of Statistics (NBS). The data were analyzed using Partial correlation (PC), Ordinary Least Square (OLS) Regression, Paired sample T-test as well as Mann-Whitney U Test. The outcome of the analyses reveals that budgetary allocation is negatively and significantly associated with poverty index while budget discipline does not have a strong influence on poverty incidence in Nigeria. Also, the relationship between the incidence of poverty and operational efficiency of the budgetary process was found to be significant. It was also found that budget-related reforms had not had any significant impact on poverty reduction in Nigeria. The research also found the existence of peculiar budgeting problems in Nigeria, including budget indiscipline/corruption, fiscal impropriety, allocative inefficiency and poor budget governance, among others. The study recommended that government should, among others, increase allocation to the economic and social sectors, such as: education, agriculture, health, transport and communication, in view of their direct impact on the poor. The enforcement of budget discipline in all its three dimensions was also recommended to ensure that allocations are not misdirected.

From the above empirical studies, it is almost evident that there is a relationship between public budget management and poverty reduction and that effective budget management could be a potent strategy for economic growth and for mitigating poverty incidences. However, most of the prior studies were either done outside the Nigerian environment, hence did not reflect the Nigerian experience, or were too narrow in scope or methodology (with the exception of Egbide (2015)), and so could not capture national data and hence cannot be generalized nationally. More specifically, Anger (2010) advocated the increase in budgetary allocation as a way out of the Nigerian poverty crises, without any empirical analyses to support. Besides, none of the prior studies reviewed, nor any other study known to the researcher, that had specifically decomposed the elements of sound public budgeting (efficiency, effectiveness and discipline) and their interactions with poverty reduction in Nigeria.

2.4 Theoretical Framework

There are three theories relevant in explaining the relationship between public budgeting and poverty reduction. These are: the Public Choice Theory (PCT), Trickle-Down Theory (TDT) and the Open System Theory (OST). While the first (PCT) is a positive theory, the last two (TDT and OST) are normative theories.

i. Public Choice Theory (PCT)

This is a theory developed by public choice economists to explain the behaviour of decision makers including government. In other words, PCT pertains to the economic study of non-market decision-making, especially the application of economic analyses to public policy-making (Kumar, 2015). The underlying assumption of public choice theory, according to Egbide (2015), is that decision makers (politician or bureaucrats) are self-interestedly rational, in the sense of optimizing their choices and using the available information to their best advantage. That is why Paul Star in Felkins (1999) averred that the name "public choice" is ill-named or a misnomer, because the only choices it recognizes are essentially private. According to the theory, decision makers- whether voters, politicians, legislators, executives, bureaucrats or government-pursue their personal interest under the garb of public interest (Kumar, 2015)

More so, Kumar (2015) opines that the politician's interest is to maximize political power and retain office. Thus, they cannot be expected to act or behave in the broad public interest, but will, instead, try to make themselves popular, hence, strengthen their power base and improve their prospects for re-election. For this reason, the politicians will most likely advocate for short-term projects that can generate immediate pay-offs over longer-term projects with a higher return. Furthermore, politicians, especially in a representative democracy, will seek to advance the interests of their proximate constituencies without regard to the consequences for the broader public. This they do by securing funding for programmes that benefit their constituents from the common pool of general taxation, so that the costs of programmes benefiting a few are borne by all. The politicians transform the economic basis of costs and benefits into political costs and benefits. This is referred to as the "pork barrel projects", that is, projects that are financed from the common pool or general taxation but whose benefits are exclusively or disproportionately for a particular constituency. These self-seeking or egoistic tendencies could explain in part the wide gap in wealth distribution and economic infrastructures in many countries including Nigeria. Similarly, bureaucrats are also seen by public choice theorists as profit or rent-seekers. In this context, the budget maximizing bureaucrat will tend to oversupply goods and services, so as to increase their budget allocation, and will allocate these resources to serve institutional and personal interests. Resources may, for example, be retained by central agencies rather than distributed to field departments. Similarly, allocations for staff and running costs are likely to absorb a substantial part of the budget, since these directly benefit bureaucrats, to the detriment of service delivery (Egbide, 2015).

A crucial insight of the public choice theory is that resources allocation and reallocation is the outcome of a political process. The implication is that any budgetary policy discussion that will be economically efficient must consider the political feasibility of that policy. And because both the politician and the bureaucrats are selfish and self-seeking, the budgetary processes may never benefit the poor. The PCT therefore recognizes the need to correct the failures in the market mechanisms, hence, places both the moral and legal obligation on the government to suggest remedies (Kumar, 2015). It also follows from the public choice perspective that all the stages of budgeting- formulation, approval, execution and audit will be hi-jacked for selfish interest. Accordingly, allocation will be done selfishly by the politician and execution of the budget will be carried out selfishly by the bureaucrat. The implications of the public choice model run counter to the cannons of public expenditure, especially the cannon of maximum benefits. The ultimate results will be indiscipline, inefficiencies, and inequities and more poverty in the land.

ii. **Trickle-Down Theory** (TDT)

The trickle-down theory (TDT) stems from the belief that the accumulation of wealth by the rich is good for the poor since some of the increased wealth of the rich will trickle down to the poor. More formally, it advocates that the economic benefits of any policy will flow from the macro level (government) to the micro level (household). This implies that an expansion of an economy is likely to benefit everyone in the society in line with the analogy that “a rising tide raises all ships” (American Business, 2010). It follows therefore, that the efforts by government to stimulate economic growth are good for society even though such effort may increase government expenditure. Thus, increase in government expenditure on social/economic development such as roads, water, education and subsidies in the manufacturing of some essential commodities will be used to reduce poverty. According to Akpan and Orok (2015), the proponents of the trickling down theory opine that there is a transmission mechanism between some macroeconomic variables and the incidence of poverty. Therefore, the relationship between budgeting and poverty reduction can be fitted into this theory. This is because the budgetary allocations made to MDAs are expected to deliver outputs and outcomes to a greater percentage of the citizens. For instance, allocation to agriculture is expected to increase the production of food in the country and hence reduce hunger, expenditure on education is expected to reduce illiteracy, and expenditure on health is expected to reduce child and infant mortality rate while expenditure on transport is expected to reduce the number of road accidents caused by bad roads, to mention just a few. The combined effects of all these expenditures are expected to have an impact on the citizens by bringing about the reduction in the level and incidence of poverty.

iii. The Systems Theory

A system had been viewed as a set of interrelated and interdependent parts which, through interactions, function as a whole (Agbonifoh, Agbadudu & Iyayi 2015). Every system is either a part of a larger system and/or may contain other systems. A good example of a system, with subsystems is the human body containing the respiratory system; the digestive system etc. According to the General Systems Theory (GST) on which the system approach is based, all scientific phenomena can be examined as a system (Agbonifoh, et al, 2015). Therefore, the general system concept can be applied to the study and management of organizations, be it private or public. Accordingly, an organization can be viewed as a system consisting of various subsystems, namely, production system, marketing system, accounting system, etc. These subsystems themselves can be broken further into smaller subsystems. For example, the accounting system of an organization can be broken down into financial accounting system, management accounting system, auditing system; public sector accounting system etc. Again, the management accounting and the public sector accounting systems encompass budgeting as a sub-system. The relationship and interactions between the subsystems are fundamental to the functioning of the entire system. In an organization, these linking processes include communication, social interaction, decision making and distribution of authority, as well as the development of organizational roles for people and establishment and agreement on goals (Agbonifoh, et al, 2015). It is this linking process that integrates the diverse goals of the different subsystems of an organization to form a common organizational goal by means of decision making involving the affected subsystems.

There are two variants or models of the system theory: the open system and the closed system. The closed system as the name implies is closed to the environment and hence does not receive input from the environment. It is entirely explainable form within and relates to the kind of system found in the natural sciences. In the social sciences or better still in all social systems, however, the environmental factors play a key role, which makes the open system model appropriate. To this end, the six basic elements of the General Systems Theory namely: the open system of an organisation, entropy and negentropy, input-process-output, differentiation and integration, feedback and equifinality, are relevant in explaining most social systems including the budgeting system (Agbonifoh, et al, 2015).

Budgeting as a System

The principles of the general systems theory can be applied to the budgeting system and its relationship with poverty reduction. According to Egbide (2015), budgeting as a system means a set of units with a relationship among each other.

It looks at the process of implementing a particular budget, the process, institutional structures, competing norms and values, actors and their relationships among each other all play a role in producing output. The "input-process-output" principle of an open system is the stronghold of the relationship between effective budgeting and poverty reduction in the public sector; it relates to the view that a system is a set of parts coordinated to accomplish a set of goals. The demand of a system approach is that activities of the component parts or sub-system should be directed towards meeting the overall objectives of the system and that before any changes are made on the part the effect of the change on the whole should be considered.

In the first place, poverty reduction is considered an outcome of the budgetary processes. This means the ultimate impact of all government activities and expenditures (output) should deliver value to the average citizens from where the resources in the form of taxes and labour (input) are obtained. The process or the transformation stage is the interaction between the budgetary process, which is expected to be efficient and effective so as to guarantee the delivery of the outputs and outcomes envisaged.

Egbide (2015) opines that for the budgeting system to deliver as expected, the process must promote efficiency, effectiveness and economy (the three Es). This is the responsibility of the managerial leaders, he added. According to him, it is through the application of performance-based budgeting, otherwise known as the result-oriented budgeting system or outcome-oriented budgeting system, that these 3Es can be actualised. Using the South African experience, Egbide demonstrated the relationship between and among the efficiency, effectiveness and economy. In her opinion, the three Es take place within the context of the New Performance Management (NPM) approach and is supported by the South African constitution. Like South Africa, the Nigeria constitution also supports these 3Es in the management of the economy. Section 16 of the 1999 Constitution specifically empowers the state to manage the resources of the nation efficiently, effectively, equitably and economically. This implies that managers in the public service deliver as planned and in time (efficiently), make reasonable options regarding spending on the basis of value for money and within the legal framework or do more with less (economy) and make sure that outputs produced by the transformation process have an impact on the public (effectiveness) (Egbide, 2015).

Theory Adopted in the Study

Though three major theories are of interest to this study, such as; public choice theory, trickle-down theory and systems theory as presented above, this study adopts the trickle-down theory because the objective of the study is to examine the relationship between budget allocation and poverty incidence in Nigeria so as to determine the impact of the former on the latter. Therefore, the relationship between budgeting and poverty reduction can be fitted into this theory. This is because the budgetary allocations made to MDAs are expected to deliver outputs and outcomes to a greater percentage of the citizens. For instance, allocation to agriculture is expected to increase the production of food in the country and hence reduce hunger, expenditure on education is expected to reduce illiteracy, and expenditure on health is expected to reduce child and infant mortality rate while expenditure on transport is expected to reduce the number of road accidents caused by bad roads, to mention just a few. The combined effects of all these expenditures are expected to have an impact on the citizens by bringing about the reduction in the level and incidence of poverty.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter is concerned with the method and procedures that were employed in carrying out the research. They include research design, study population, selection of sample/ sampling technique, sources of data, methods of data collection and method of data analysis. The points listed shall be discussed in detail in the succeeding headings:

3.2 Research Design

The objective of the study is to obtain essential information and insight into the concept of budget allocation and the incidence of poverty in Nigeria. The essence of the research design is to structure the investigation in such a way as to identify the variables and their relationships. A well articulated design is desirable for the objective of data collection that will assist to address the research questions as well as test the stated hypotheses. The research design therefore serves as a veritable guide for data generation, especially the secondary data. Therefore, this study applied the explanatory research design.

The explanatory research design seeks to establish relationships between variables through the collection of quantitative data, in-depth study of the phenomena and statistical analysis of data to draw conclusions and make recommendations.

3.3 Population of the Study

For the purpose of this study, the entire public sector constitutes the population of this study. Accordingly, Ministries, Departments and Agencies (MDAs) of the federal, state and local governments are components of the public sector and form part of the population of the study. In particular, the public sector is divided into twelve (12) major sectors. These twelve sectors therefore constitute the population size of the study.

3.4 Sampling Size/ Sampling Techniques

Judgmental sampling technique is said to be appropriate if a subset of population is to be studied on the basis of the researcher's knowledge of the elements or attributes in the sub-set that are relevant to the objective and purpose of the study. Under the judgmental sampling design, the researcher decides what needs to be known, and sets out to find people who can provide the information by virtue of their knowledge or experience. However, the choice of any of the alternatives depends on what exactly needs to be accomplished. To this end, the stakeholder's version of the judgmental sampling was adopted for this aspect of the primary data collection. The reason is that the stakeholder's judgmental sampling strategy is useful in the context of evaluation research and policy analysis.

Consequently, the following government agencies were considered because of their role in the preparation and implementation of the budget: The Budget Office of the Federation (BOF), Office of the Accountant General of the Federation (AGF), Office of the Auditor General of the Federation, the Debt Management Office (DMO), and the Central Bank of Nigeria (CBN). Also, the General Public group was represented by some organized organizations such as Nigeria Labour Congress (NLC), Nigeria Bar Association (NBA), Nigeria Union of Journalists (NUJ) and Nigeria Union of Teachers (NUT).

More so, a time horizon of 15 years (2003-2017) was considered for the purpose of gathering data relating to the specific attributes of the dependent variable (poverty reduction) and the independent variable (public budgeting).

3.5 Instrument of Data Collection

This study employed only the secondary source of data collection. The secondary data were extracted from published documents obtained via CBN Statistical bulletin, CBN annual report and accounts and National Bureau of Statistics reports.

3.5.1 Validity of Instrument

Reliability and validity are the two most important and fundamental characteristics of any measurement procedure/instrument. Consequently, any research outcome will be only as good as the reliability and validity ascribed to the instruments used in generating such a result. To that end, this study carried out both validity and reliability checks.

A validity test was necessary to ensure that our instrument and data collected measure what they purport to measure. In that regard, we employed both the face validity and sampling validity. The face validity was attested to when an individual reviewing the instrument (especially an expert in the field) concludes that it measures the characteristic or trait of interest. Sampling validity tries to establish the extent to which the selected sample is adequate or is representative of the population of study.

For secondary data, the validity of the secondary instruments was assured by ensuring that the sources of data were from government institutions. The study also utilized only national data relating to budget information and poverty indices, as these captured the entire economy. More so, both the time and geographical coverage were purposively and carefully selected to ensure that sampling validity is not vitiated.

3.5.2 Reliability of Instrument

The reliability of an instrument, on the other hand relates to the degree to which a measuring instrument produces consistent outcomes when it is repeated. For the secondary data, the stability and/ or consistency was guaranteed by the fact that the documents and data were sourced from publicly available sources, hence, can be retrieved at any time without any fear of losing their value. However, there was need to compare the secondary information and data with the information and data employed by reputable institutions and sources. To that end, the data obtained from CBN were compared with the data from the National Bureau of Statistics (NBS) and vice-versa.

3.6 Method of Data Collection

As earlier stated, secondary data was collected from published documents including CBN Statistical bulletin, CBN annual report and accounts and National Bureau of Statistics reports.

3.7 Method of Data Analysis

The data collected in this study were analyzed using a combination of both parametric and non-parametric techniques. For the secondary data, the following techniques where engaged: Partial Correlation (PC), Multivariate Regression (MVR) analysis (i.e. the Ordinary Least Square Variant), Johansen Co-integration test and the Paired Sample T-test (PST).

Since the methodology allows comprehensive information about the dynamics of the interactions, the relationship between the dependent and the independent variables are easily explained. The following models are specified to achieve the objectives of this study:
Models

Model 1: Budgetary Allocation and Poverty Reduction

Here we attempt to estimate the extent of coherence between budgetary allocation and poverty reduction programmes of government. It has been theorized that the allocation of the budget is a key instrument for governments to promote economic growth and reduce absolute poverty. In Nigeria, government places a lot of premium on agriculture, education, transport and health sectors, because of the belief that these sectors affect the poor and are key sectors in the poverty reduction crusade (Usman, 2010). To that end, these four sectors were selected for a two-stage analysis. First, the trend of budgetary allocation to the four sectors (Agriculture, (AGR); Education (EDU); Health (HLT) and Transport (TCOM) were established. Then the relationship and impact of the allocation on poverty reduction was determined; using the following model:

$$POI = f(BAAGR, BAEDU, BAHLT, BATCOM, INF) \quad (3.1)$$

Translated thus:

$$POI = \alpha0+\alpha1BAAGR+\alpha2BAEDU+\alpha3BAHLT+\alpha4BATCOM+\alpha5INF+ \varepsilon \quad (3.2)$$

Further expressed thus:

$$LPOI= \alpha0 + \alpha1LPBAAGR + \alpha2LPBAEDU + \alpha3LPBAHLT + \alpha4LPBATCOM + \alpha5LPINF + \varepsilon$$
(3.3)

Where

LPOI = Poverty Index/incidence

LPBAAGR = Proportion of Allocations to Agriculture

LPBAEDU = Proportion of Allocation to Education

LPBAHLT = Proportion of Allocation to Health

LPBATCOM = Proportion of Allocation to Transport and Communication

LPINF = Inflation Rate

ε = stochastic error term

α_0 represents the intercept

$\alpha_{1,}$ α_2, …$\alpha_{5\,=}$ the parameter to be estimated

Model One 'B'

$LPOI = \beta 0 + \beta 1 LPBAKS + \beta 2 LRGDPPCP + \beta 3 LPINF + \varepsilon$ -------------- 3.4

Model one B was used to complement model one A. It combines the four main independent variables of model one 'A' to form a new variable called PBAKS (Proportion of Budgetary Allocation to Key Sectors), then added inflation (LINF) and RGDPPCP (the proportion of Real GDP Per Capita) as control Variables. The rationale was to determine the combined effect of budget allocated to these sectors on poverty reduction in Nigeria.

Model 2: The impact of Budget Discipline and Debt Burden on Poverty Reduction in Nigeria

Model 2 was used to address hypotheses two and three of this study. Hypothesis two relates to budget discipline measured by the ratio of budgeted amount over the actual amount, while hypothesis three relates to the implication of operational efficiency of the federal government budget measured by the burden of public debt on poverty incidence in Nigeria. Debt burden was measured by the ratio of external debt to export and total debt serviced in tandem with the position of World Bank (1997). To that end we specify this model as:

POI = f(BDISC, EDExp, INF, TDSERV)-------------------------------------3.5

This can be expressed in explicit form as follows;

$$POI = \Psi 0 + \Psi 1 BDISC + \Psi 2 EDExp + \Psi 3 INF + \Psi 4 TDSERV + \varepsilon \text{-----} 3.6$$

Where

POI = Poverty Index/Indices

BDISC = Budget Discipline,

EDExp = External Debt to Export Ratio

INF = Inflation Rate

TDSERV = Total Debt Service

$\Psi 0$=R Represents the intercept

$\Psi 1$=$\Psi 4$R = the parameter estimates or the coefficient

ε = the stochastic or error term

However, for the purpose of passing the data diagnosis for the assumptions of parametric statistics and stationarity of time series, equation (6) was re-stated in the log transformation of INF and TDSERV to obtained equation (7) below:

$$POI = \Psi 0 + \Psi 1 BDISC + \Psi 2 EDExp + \Psi 3 LINF + \Psi 4 LTDSERV + \varepsilon \ \ldots \ 3.7$$

Where: LINF is the log of inflation rate and LTDSERV is the log of annual total debt repayment. All other variables remain as in equation (6) above.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter deals with the presentation, analysis and interpretation of data obtained from the empirical study of this research work. The purpose of the study was to investigate the relationship between budget allocation and the incidence of poverty in Nigeria. This chapter also tested the hypotheses formulated in this study, as well as discussing the findings arising from the hypotheses tested.

4.2.1 Presentation of Data

Table 4.1: Budget allocation and National Poverty Rate data

YEAR	AGRICULTURE (N)	EDUCATION (N)	HEALTH (N)	TRANSPORT (N)	NATIONAL POVERTY RATE (%)
2003	18,048,971,868	78,952,003,053	228,649,106,213	12,879,759,538	48.4
2004	16,812,995,163	94,566,572,421	54,090,570,023	4,744,106,663	54.7
2005	20,474,709,808	120,035,527,799	71,685,426,091	13,058,514,100	54.41
2006	30,813,391,000	166,621,653,758	106,940,000,000	5,727,045,904	51.86
2007	38,000,000,000	193,351,000,000	112,000,000,000	17,046,631,935	49.3
2008	121,100,000,000	210,450,000,000	138,179,657,132	124,444,316,123	52.55
2009	166,924,361,057	199,470,000,000	154,567,493,157	42,872,035,203	46
2010	148,715,672,952	249,086,254,059	161,845,511,090	146,736,754,518	60.9
2011	65,868,226,097	356,495,828,145	257,870,810,310	61,028,437,729	71
2012	78,134,129,190	397,378,113,838	280,414,606,358	54,052,052,669	61
2013	83,762,357,710	427,515,707,889	278,819,991,790	52,331,974,638	33.1
2014	66,644,675,939	495,283,130,268	284,481,210,860	40,001,616,172	27.23

2015	40,659,020,717	483,183,784,654	259,751,742,847	17,560,812,531	21.35
2016	75,806,548,274	369,600,000,000	221,700,000,000	202,341,802,265	67.1
2017	103,793,201,010	56,720,969,147	308,460,000,000	241,709,000,000	42.4

Source: Data obtained from National Bureau of Statistics between 2003 to 2017

To analyze the relationship between the dependent and independent variables, the study focused on causality among the variables applying the method developed by Granger (1969). The table 4.2 below has details of the annual time series data of the variables used in the study.

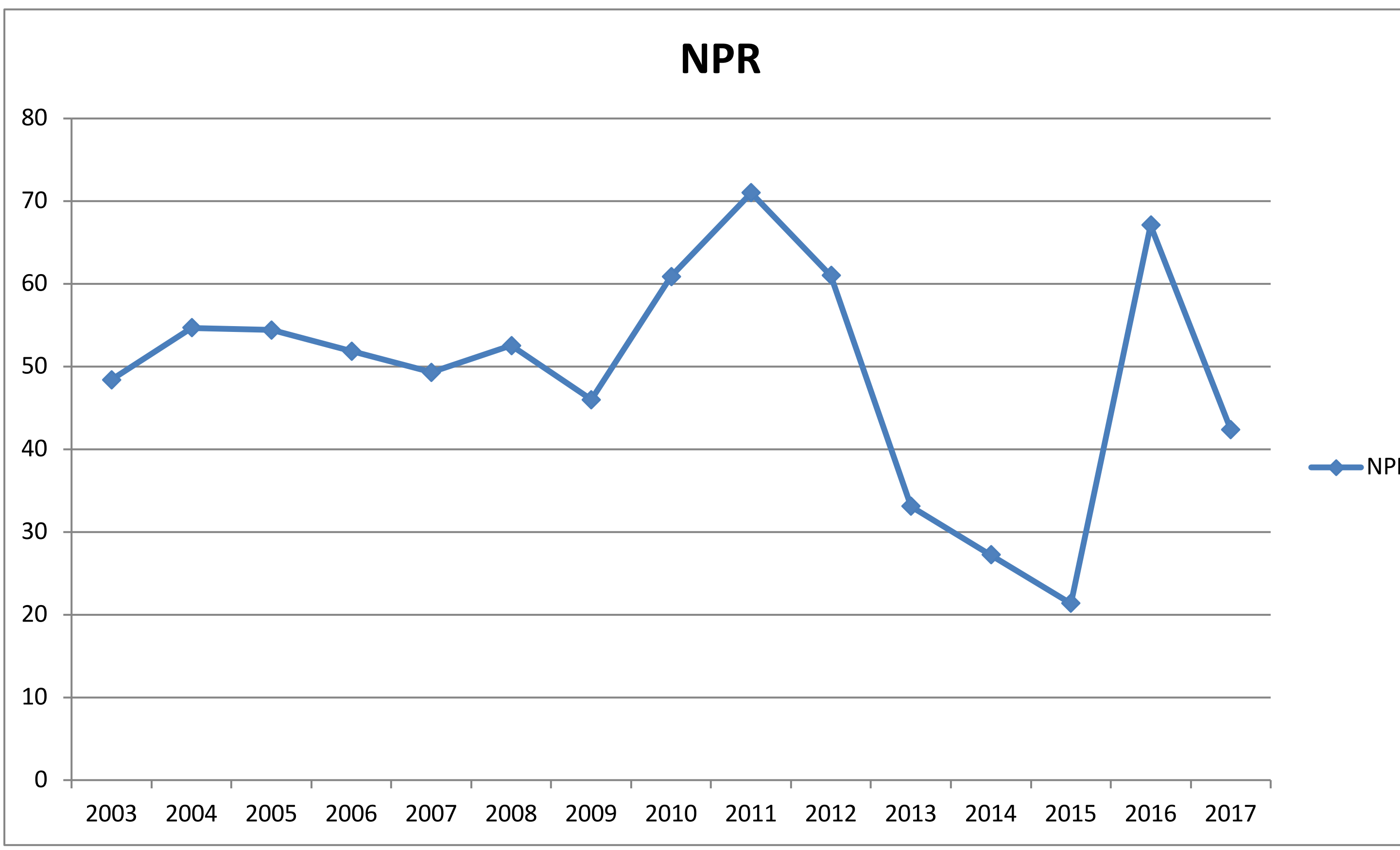
Table 4.2: Annual Time Series Data of the Variables

YEAR	NPR	AGRICULTURE	EDUCATION	HEALTH	TRANSPORT
2003	48.4	18.0	0	228.64	12.87
2004	54.7	16.81	78.95	54.09	4.74
2005	54.41	20.47	94,56	71.68	13.07
2006	51.86	30.81	120.03	106.90	5.72
2007	49.3	38.00	166.62	112.00	17.04
2008	52.55	121.11	193.35	138.17	124.4
2009	46	166.92	210.45	154.56	42.87
2010	60.9	148.71	199.47	161.84	146.73
2011	71	65.86	249.08	257.87	61.02
2012	61	78.13	356.49	280.41	54.05
2013	33.1	83.76	397.37	278.83	52.33
2014	27.23	66.64	427.51	284.48	40.00
2015	21.35	40.65	495.28	259.75	17.56
2016	67.1	75.80	483.18	221.70	202.34
2017	42.4	103.79	369.60	308.46	241.70

Source: Annual Budget (2018)

4.2.2 Descriptive Analysis of Variables

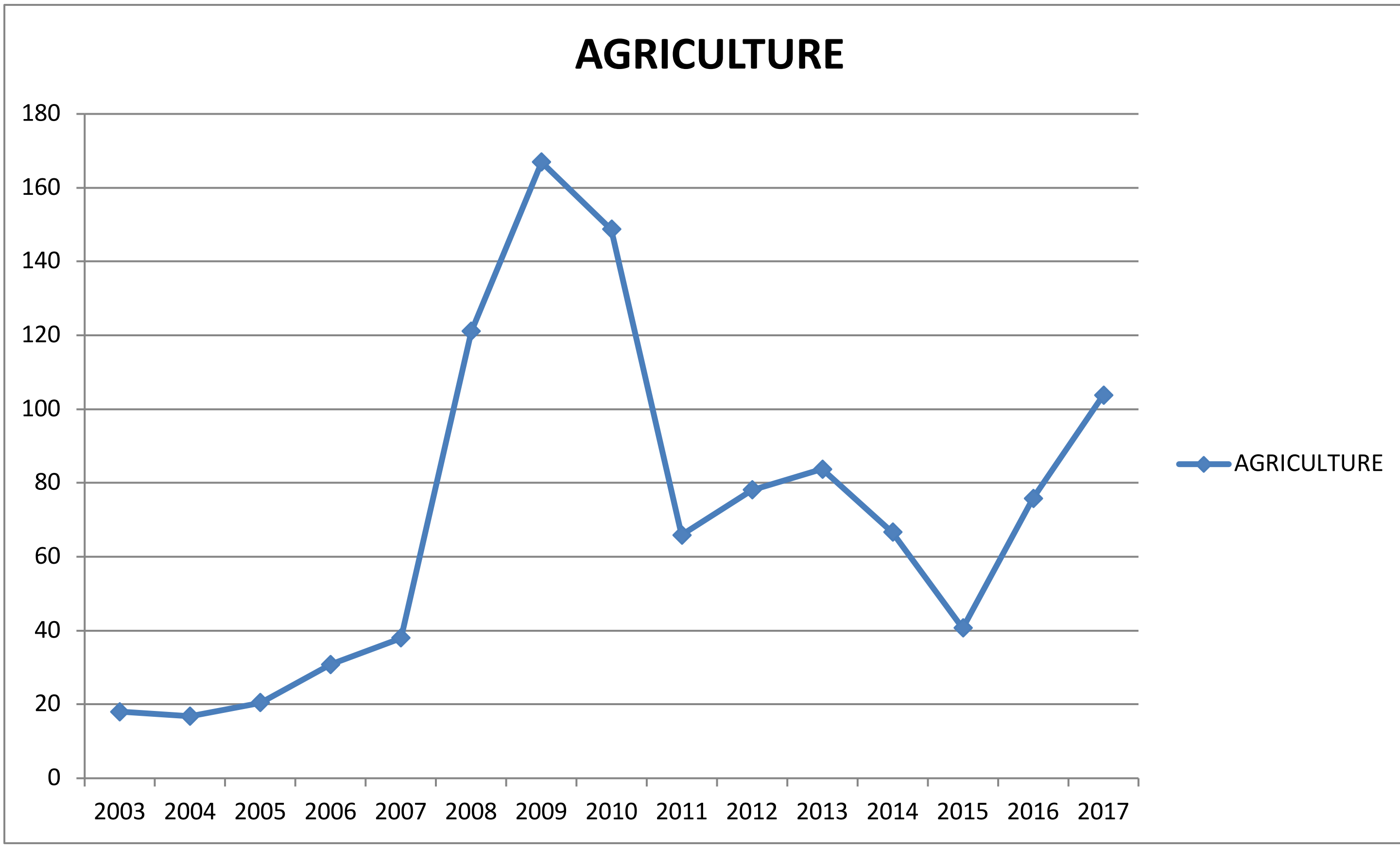
Figure 4.1: Trend showing Nigeria poverty rate between 2003 to 2017



Source: Field Work (2018)

The figure above, illustrate the movement of poverty rate from 2003-2017. Evidence from the trend shows that Nigerian poverty rate fluctuates over the period covered in the study. It shows that the fluctuation was highest in 2011.

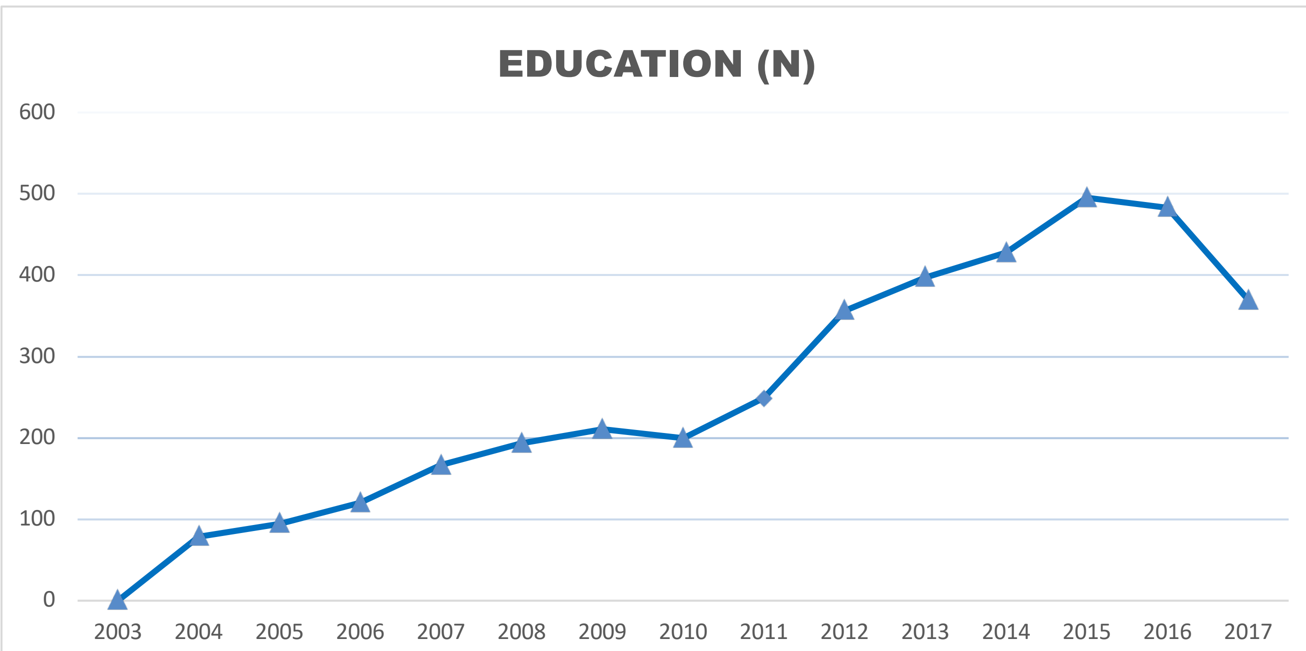
Figure 4.2: Trend showing budget allocation to agricultural sector between 2003 to 2017



Source: Field work (2018)

The figure above illustrates the movement of budget allocation from 2003-2017. Evidence from the trend shows that Nigerian agricultural budget allocation fluctuates over the period covered in the study. It shows that the fluctuation was highest in 2009 -2011.

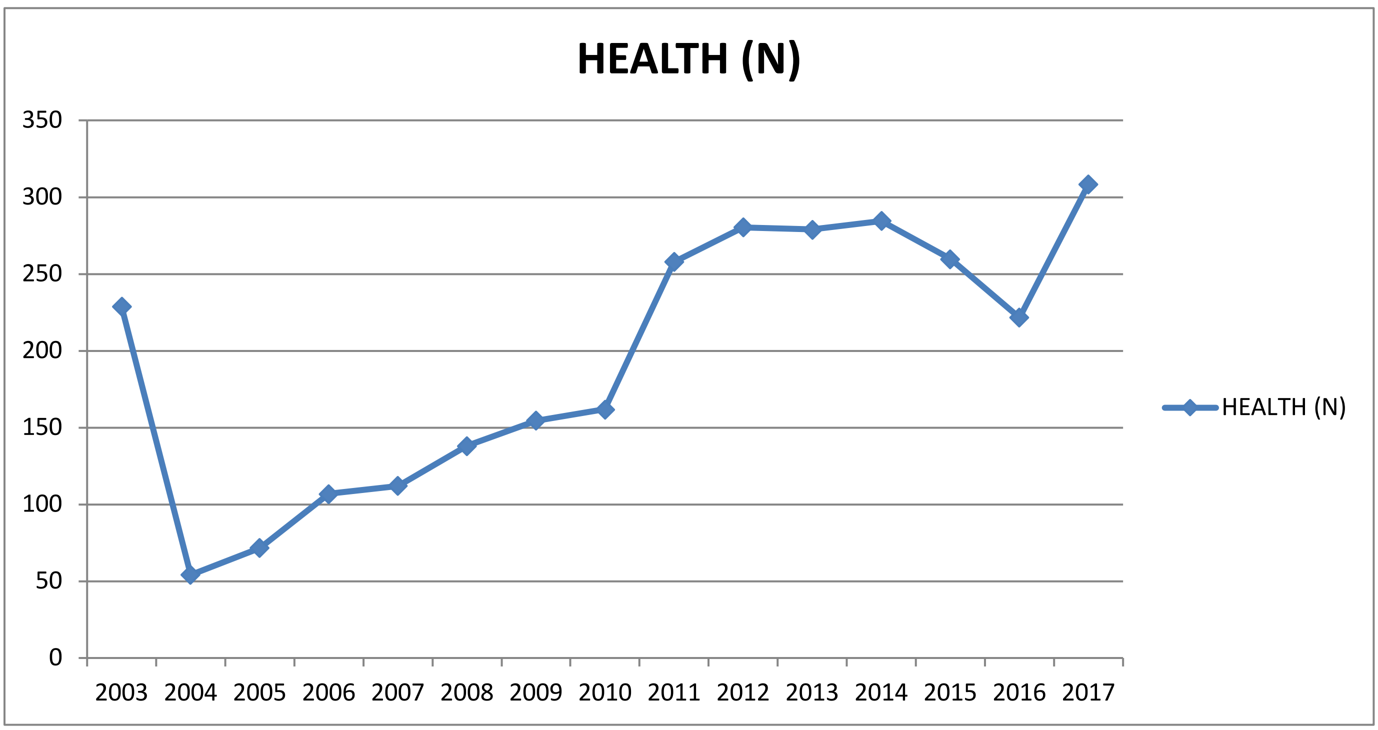
Figure 4.3: Trend showing budget allocation to education sector between 2003 to 2017



Source: Field work (2018)

The figure above illustrates the movement of budget allocation from 2003-2017. Evidence from the trend shows that Nigerian education budget allocation fluctuates over the period covered in the study. It shows that the fluctuation steadily increased over the period.

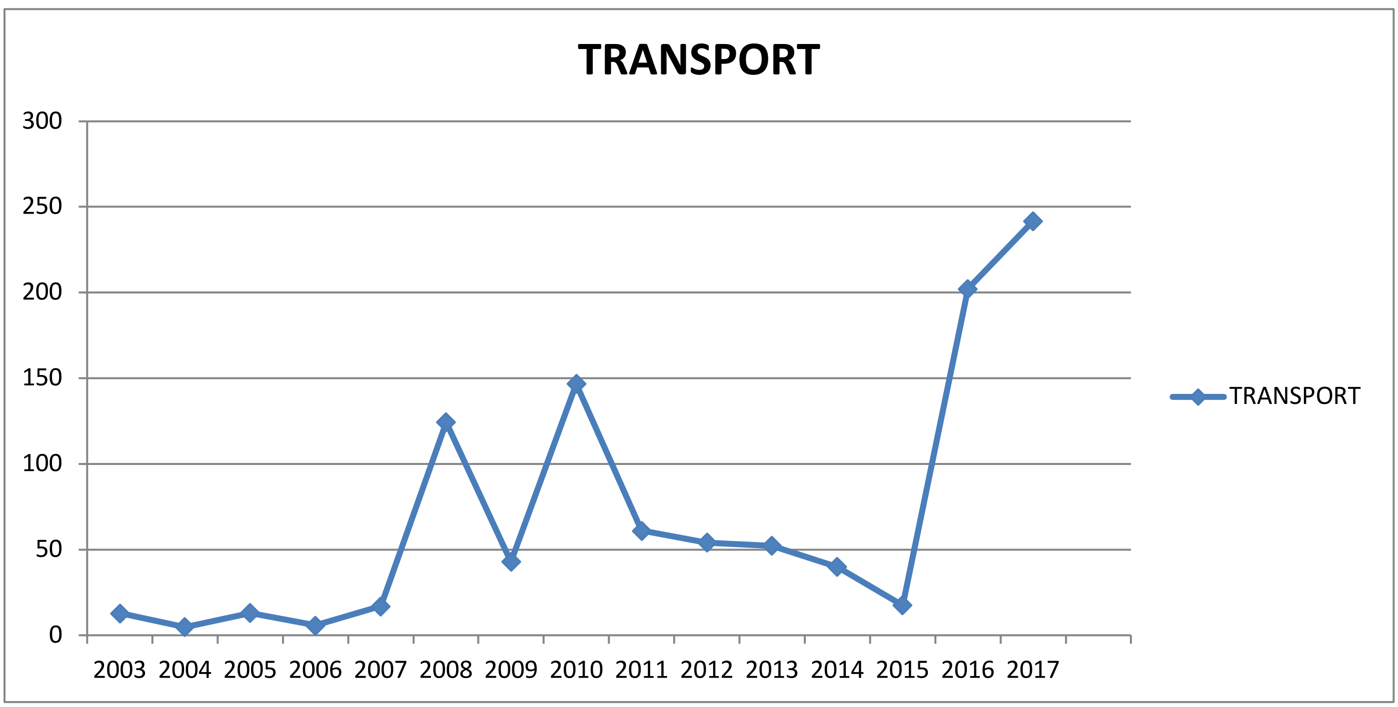
Figure 4.4: Trend showing budget allocation to health sector between 2003 to 2017



Source: Field work (2018)

The figure above illustrates the movement of budget allocation from 2003-2017. Evidence from the trend shows that Nigerian health budget allocation fluctuates over the period covered in the study. It shows that the fluctuation was highest in 2009 -2011.

Figure 4.5: Trend showing budget allocation to transport between 2003 and 2017.



Source: Field work (2018)

Variable	Coefficient	Std. Error	t-Statistic	Prob.

4.3 Presentation of Results

Table 4.3 Level Series Regression Results

HEALTH__N_	-0.029739	0.066692	-0.445920	0.6662
EDUCATION__N_	-0.040628	0.035641	-1.139931	0.2837
AGRICULTURE	-0.021817	0.098989	-0.220399	0.8305
TRANSPORT	0.101965	0.064889	1.571385	0.1505
C	60.17836	12.03919	4.998540	0.0007
R-squared	0.643692	Mean dependent var		49.06357
Adjusted R-squared	0.551999	S.D. dependent var		14.39741
S.E. of regression	14.01809	Akaike info criterion		8.391027
Sum squared resid	1768.561	Schwarz criterion		8.619262
Log likelihood	-53.73719	Hannan-Quinn criter.		8.369900
F-statistic	5.178267	Durbin-Watson stat		1.735005
Prob(F-statistic)	0.000779			

Source: Extract from e-view 9.0

From the results presented above, the coefficient of determination (R^2 and adjusted R^2) shows that 64.3% and 55.1% variation or change in Nigeria poverty rate can be traced to budget allocation or the independent variables as modeled in the regression model while the remaining 35.7% and 44.9% can be explained by variables not captured in the regression model. The F-statistics which measures the model significant proved that the model is statistically significant and good to predict variation on the dependent variable. The Durbin Watson statistics of 1.735 is less than 2.00 but greater than 1.5. It proved that there is presence of negative serial autocorrelation among the variables. The beta coefficient shows that budget allocation to health, education and agriculture have negative relationship with poverty rate while allocation to transport has positive impact on Nigeria poverty rate. The presence of serial autocorrelation enables us to test for stationarity of the variables to avoid spurious result.

Table 4.4: Dickey Fuller Unit Root Test: Level Series

	NPR	t-Statistic	Prob.*

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-0.593214	0.4373
Test critical values:	1% level	-2.792154	
	5% level	-1.977738	
	10% level	-1.602074	
HEALTH			
		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-0.326637	0.5492
Test critical values:	1% level	-2.740613	
	5% level	-1.968430	
	10% level	-1.604392	
EDUCATION			
		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-0.099104	0.6319
Test critical values:	1% level	-2.740613	
	5% level	-1.968430	
	10% level	-1.604392	
AGRICULTURE			
		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-0.850870	0.3225
Test critical values:	1% level	-2.816740	
	5% level	-1.982344	
	10% level	-1.601144	
TRANSPORT		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-0.377989	0.5295
Test critical values:	1% level	-2.740613	
	5% level	-1.968430	
	10% level	-1.604392	

Source: Extract from e-view 9.0

In order to conduct valid statistical inference, we must make a key assumption in time series analysis. We must assume that the time series we are modeling is covariance stationary. A time series is stationarity if its properties, such as mean and variance, do not change over time. A stationarity series must satisfy three principal requirements. At first, ADF was performed on the variables in levels to determine the presence of unit roots. The results of the ADF tests are reported in Table 4.4. The second column of Table 4.5 presented the test statistics for each variable for level and first difference. The reported results in first section of Table 4.4 indicated the presence of a unit root in log levels of all variables except overnight interest rate and currency deficit, thus the null hypothesis that each of the economic variables has a unit root cannot be rejected in all the variables. If a time series appears to have a unit root, we should decide how to mode it. One method that is often successfully is to first-difference the time series and tries to model the first-differenced series as an autoregressive time series (DeFusco et al., 2007). We difference a time series by creating a new series, day y_t that each period is equal to the difference between x_{t-1}. This transformation is called first-differencing because it subtracts the value of the time series in the first prior period from the current value of the time series.

The results of the Dickey-Fuller test for the first difference of variables are presented at the second section of Table 3. This demonstrates the same statistics when the test is repeated for first differences of the variables that have a unit root in the level specification.

Table 4.5: Dickey Fuller Unit Root Test at First Difference

	NPR	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-4.671172	0.0003
Test critical values:	1% level	-2.792154	
	5% level	-1.977738	
	10% level	-1.602074	
HEALTH			
		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-4.642532	0.0002
Test critical values:	1% level	-2.754993	
	5% level	-1.970978	

	10% level	-1.603693	
EDUCATION		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-5.099354	0.0001
Test critical values:	1% level	-2.754993	
	5% level	-1.970978	
	10% level	-1.603693	
AGRICULTURE		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-2.451263	0.0219
Test critical values:	1% level	-2.886101	
	5% level	-1.995865	
	10% level	-1.599088	
TRANSPORT		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-3.477986	0.0028
Test critical values:	1% level	-2.816740	
	5% level	-1.982344	
	10% level	-1.601144	

Source: Extract from e-view 9.0

No evidence is found against the unit root hypothesis and in all cases the first differenced series do not exhibit a unit root. That is, there is no evidence from test to support a unit root in first difference of all the variables. Since the calculated Dickey-Fuller test statistics for all variables are less than the 5% critical value, do not reject the null of nonstationarity. In other words, the first difference variables are stationarity series which implies that the variables are integrated in the order of 1(1).

Table 4.6: Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.995275	98.95519	47.85613	0.0000
At most 1	0.807413	29.34035	29.79707	0.0564

At most 2	0.449689	7.926684	15.49471	0.4733
At most 3	0.012396	0.162158	3.841466	0.6872

Source: Extract from e-view 9.0

Johansen co-integration test determines whether the long-term relationship occurs in variables or not. The test envisages that there can be just one relationship between variables in long term. In most cases, if two variables that are I(1) are linearly combined, the combination will also be I(1). More generally, if variables with differing orders of integration are combined, then the combination will have an order of integration equal to the largest.

Johansen-Juselius Cointegration tests are presented in the tables above where the result shows that the variables are cointegrated and significant at the 5% level. Thus, these results suggest that a long run and stable relationship between the variables exists. The maximum Eigen and the trace statistics in the above table show no co-integrating equation at 5% significant level, which is an indication that there is no long run relationship among the variables.

Table 4.7: Unrestricted Cointegration Rank Test (Maximum Eigen value)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.995275	69.61484	27.58434	0.0000
At most 1 *	0.807413	21.41367	21.13162	0.0456
At most 2	0.449689	7.764526	14.26460	0.4031
At most 3	0.012396	0.162158	3.841466	0.6872

Source: Extract from e-view 9.0 (see Appendix)

At maximum eigen value statistics the models proved one co-integrating equation, this implies the presence of long run relationship among the variables; therefore the null hypothesis of no cointegration is rejected while the alternate accepted.

Table 4.8: Normalized Cointegration Test

NPR	TRANSPORT	HEALTH__N_	AGRICULTURE
1.000000	-6.887438	4.222765	-0.416810
	(0.60463)	(0.13529)	(0.33993)

Source: Extract from e-view 9.0

From the normalized cointegration, transport and agriculture have negative long run relationship with poverty rate while health has positive long run relationship with poverty rate. The negative long run relationship confirms our a-priori expectation of the results while the positive relationship is contrary to the expectation of the results.

Table 4.9: Pair wise Granger Causality Tests

Null Hypothesis:	Obs	F-Statistic	Prob.
TRANSPORT does not Granger Cause NPR	13	0.69021	0.5290
NPR does not Granger Cause TRANSPORT		2.25135	0.1676
HEALTH__N_ does not Granger Cause NPR	13	0.95550	0.4245
NPR does not Granger Cause HEALTH__N_		6.19303	0.0237
EDUCATION__N_ does not Granger Cause NPR	10	1.14557	0.3894
NPR does not Granger Cause EDUCATION__N_		0.36719	0.7099
AGRICULTURE does not Granger Cause NPR	13	0.52472	0.6108
NPR does not Granger Cause AGRICULTURE		0.04152	0.9595

Source: Extract from e-view 9.0 (see Appendix)

Using the pair wise granger causality test, there is a unidirectional causality from Nigerian poverty rate to budget allocation to health sector while other variables have no causal relationship. The presence of causality implies the rejection of null hypothesis while the variable that has no causal relationship accepts the null hypothesis.

4.4 Table 4.10: Test of Hypotheses

VARIABLES	T-STATISTICS	PROBABILITY	REMARK	DECISION
HEALTH	-0.445920	0.6662	Not significant	Accept H_0
EDUCATIO	-1.139931	0.2837	Not significant	Accept H_0
AGRICULTURE	-0.220399	0.8305	Not Significant	Accept H_0
TRANSPORT	1.571385	0.1505	Not significant	Accept H_0

Source: Extract from e-view 9.0

From the table above, all the independent variables are statistically not significant, hence we accept the null hypotheses.

4.5 Discussion of Findings

Poverty is the economic condition in which people lack sufficient income to obtain certain minimal levels of health services, food, housing, clothing and education which are necessities for standard of living (World Bank, 2011). The various definitions and measures of poverty lead to two perspectives which are income poverty and lack of basic need poverty. Income poverty occurs when an individual does not have enough money to meet up with the a certain standard of living while lack of basic need poverty occurs when one is unable to meet some of the basic needs such as food, shelter and clothing as identified by united nations, children's fund. From the above definition of poverty, income definition is the most appropriate, therefore this study use the income definition of poverty (Ogbeide & Agu, 2015).

In relation to allocative efficiency and poverty reduction, the findings of the study proved that there is a negative relationship between the two variables in the sectors sampled, except budget allocation to transportation. On the basis of that, it was concluded that there is a significant functional negative relationship between budgetary allocation and poverty reduction in Nigeria.

In hypothesis two, the proposition was that budget discipline does not have any significant effect on poverty reduction in Nigeria. Table 4.10 above shows that there is no significant relationship between budget allocation and the incidence of poverty for all sectors sampled. To that extent therefore, it will be unsafe to reject the null hypothesis. It was therefore accepted, leading to the conclusion that budget discipline has no significant effect on poverty reduction in Nigeria.

The third hypothesis of this thesis relate to the operational efficiency of the Nigerian budgetary system. It was conjectured that an insignificant relationship exists between budget operational efficiency and poverty reduction in Nigeria. On the basis of Table 4.10, basing our judgement on the long-run relationship between budget operational efficiency and poverty index, the result supports the null hypothesis. To that extent, the null hypothesis was accepted and it was therefore concluded that budget operational efficiency does not significantly affect poverty reduction in Nigeria.

The negative relationship implies that increase budget to the sectors will reduce poverty rate in Nigeria. This finding confirms our a-priori expectation of the study and confirms the Keynesian fiscal policy objective. Findings of this study are in line with government intervention policy to bridge the deficiencies in the market economy. It confirmed the opinion of Egbide (2015) that public expenditure concerns the expenses incurred by government for its own maintenance, the maintenance of the society and the economy at large.

Education and health programmes help redistributive opportunities over the long run, enhancing human capital in all groups and thus changing income capabilities. However, the negative impact of budget allocation to transportation and the insignificant effect of the variables are contrary to expectation of result and can be traced to poor budget implementation of budget and other monetary and macroeconomic factors.

CHAPTER 5

SUMMARY OF MAJOR FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter focuses on discussing the summary of the research work, drawing conclusion from the research findings and making recommendations as a result of the conclusions drawn. Moreover, the chapter makes suggestions for further studies on the issue of budget allocation and poverty reduction.

5.2 Summary of Finding

The major findings of this study are summarized as follows:

1. In relation to allocative efficiency and poverty reduction, the findings of the study proved that there is a negative relationship between the two variables in the sectors sampled, hence

there is a significant functional negative relationship between budgetary allocation and poverty reduction in Nigeria.

2. With respect to budget discipline and poverty reduction, findings revealed that there is no significant relationship between budget allocation and the incidence of poverty for all sectors sampled. To that extent therefore, it was concluded that budget discipline has no significant effect on poverty reduction in Nigeria.
3. Similarly, in relation to operational efficiency of budget and poverty reduction, the result supports the null hypothesis. To that extent, the null hypothesis was accepted and it was therefore concluded that budget operational efficiency does not significantly affect poverty reduction in Nigeria.

5.3 Conclusion

From the hypotheses formulated and the findings of the study, the following conclusions were drawn:

Nigeria budget allocation to health sector has negative but insignificant relationship with poverty rate in Nigeria. The positive relationship between the variables confirms the a-priori expectation of the study.

Nigeria budget allocation to education sector has negative but insignificant relationship with poverty rate in Nigeria. The positive relationship between the variables confirms the a-priori expectation of the study.

Nigeria budget allocation to agricultural sector has negative but insignificant relationship with poverty rate in Nigeria. The positive relationship between the variables confirms the a-priori expectation of the study.

Nigeria budget allocation to transportation sector has positive but insignificant relationship with poverty rate in Nigeria. The positive relationship between the variables is contrary to the a-priori expectation of the study.

5.4 Recommendations

1. Nigerian budget should be well managed and fully implemented to achieve the desired objectives such as poverty reduction in the economy and federal government should consciously increase allocations to key sectors of the Nigerian economy as a policy matter.

2. Budget discipline should be enforced in all its three dimensions, namely, numerical discipline, timing discipline and policy discipline. Although, only numerical discipline was empirically tested in this study, it was theoretically found that both timing discipline and policy discipline far from being attained and constitute impediments to the budgetary system in Nigeria.

3. The provisions of the Fiscal Responsibility Act (FRA, 2007) and the Medium Term Expenditure Framework (MTEF) as well as other restrictive provisions of the budget should be enforced. This will enable the reforms to impact positively on the budget performance and ultimately on the economy and the people.

4. A proper implementation of the budget allocation to the sectors used (and by extension other sectors of the economy) will have positive effect on poverty. It is therefore recommended that the Federal Government should endeavour and ensure that allocations to every sector of the economy should be properly monitored for budget effectiveness and efficiency.

5.5 Contribution to Knowledge

In view of the conceptual, theoretical, methodological and analytical basis of this study, the following specific contributions had been made to knowledge:

i. This study had empirically brought to the fore both the short run and long run relationships and effects of three (3) attributes of sound budgeting on the rate of poverty in Nigeria. The three budget attributes are: budgetary effectiveness (allocative efficiency), budget discipline, (numerical discipline) and budget efficiency (operational efficiency)

ii. The study developed a conceptual budget-poverty model as well as one of the empirical budget-poverty models. These will not only provide a fulcrum for further studies in the area of budgeting, but will also serve as a springboard or a launching pad for the "Budgeting Away Poverty" (BAP) initiative Nigeria.

iii. In addition, this study empirically identified the most influential problems of budgeting in Nigeria that had over the years scuttled government poverty reduction goals.

5.5 Suggestion for Further Studies

In view of the scope and limitations of this study, a number of research issues were not attempted but were felt in the course of this study. To this end, the following suggestions are made for further study:

Further research should be conducted on the same topic, but the number of years should be increased to at least 30 years, possibly starting from 1987 to date.

In view of the fact that budget discipline has three dimensions, namely, numerical discipline, policy discipline and timing discipline, and given the fact that this study considered only numerical variant, further research should attempt to empirically gauge the impact of the other two dimensions of budget discipline on poverty rate in Nigeria.

With the increase in the scope of the study as suggested, the number of variables in the budget poverty model may also need to be increased in future research.

Finally, since this study concentrated on only federal government data, further research may need to consider data from the local and state governments in the investigation of the budget-poverty relationship.

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Variable	Coefficient	Std. Error	t-Statistic	Prob.
HEALTH__N_	-0.029739	0.066692	-0.445920	0.6662
EDUCATION__N_	-0.040628	0.035641	-1.139931	0.2837
AGRICULTURE	-0.021817	0.098989	-0.220399	0.8305
TRANSPORT	0.101965	0.064889	1.571385	0.1505
C	60.17836	12.03919	4.998540	0.0007

R-squared	0.643692	Mean dependent var	49.06357
Adjusted R-squared	0.551999	S.D. dependent var	14.39741
S.E. of regression	14.01809	Akaike info criterion	8.391027
Sum squared resid	1768.561	Schwarz criterion	8.619262
Log likelihood	-53.73719	Hannan-Quinn criter.	8.369900
F-statistic	5.178267	Durbin-Watson stat	1.735005
Prob(F-statistic)	0.000779		

APPENDICES

APPENDIX A

APPENDIX B

Cointegrating Eq:	CointEq1	
NPR(-1)	1.000000	
HEALTH__N_(-1)	0.014892	
	(0.00640)	
	[2.32609]	
C	-52.53935	
Error Correction:	D(NPR)	D(HEALTH__N_)
CointEq1	-2.156987	3.095930
	(0.66350)	(1.09271)
	[-3.25095]	[2.83327]
D(NPR(-1))	0.861744	-0.229427
	(0.45862)	(0.75530)
	[1.87899]	[-0.30376]
D(NPR(-2))	1.338148	-1.382141
	(0.63286)	(1.04225)
	[2.11445]	[-1.32611]
D(HEALTH__N_(-1))	0.123358	-0.496601
	(0.18714)	(0.30820)
	[0.65917]	[-1.61128]
D(HEALTH__N_(-2))	0.031733	-0.140614
	(0.07362)	(0.12124)
	[0.43104]	[-1.15979]
C	-0.680160	24.15398
	(5.25712)	(8.65792)

	[-0.12938]	[2.78981]
R-squared	0.696514	0.804357
Adj. R-squared	0.443609	0.641322
Sum sq. resids	1222.780	3316.497
S.E. equation	14.27574	23.51063
F-statistic	2.754054	4.933627
Log likelihood	-44.77112	-50.75781
Akaike AIC	8.461853	9.459635
Schwarz SC	8.704306	9.702088
Mean dependent	-1.000833	19.73167
S.D. dependent	19.13853	39.25650
Determinant resid covariance (dof adj.)		17036.47
Determinant resid covariance		4259.117
Log likelihood		-84.19543
Akaike information criterion		16.36590
Schwarz criterion		16.93163