THE ROLES OF THE EXECUTIVE, LEGISLATURE AND FISCAL RESPONSIBILITY IN THE BUDGET PROCESS

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Introduction

This paper discusses the roles of the legislature, executive and fiscal responsibility in the budget process. In a presidential system of Government that we embrace, the executive and the legislature constitute a veritable agenda setting and decision making institutions for effective budgeting. The budget process is therefore one area of activity that encapsulates the executive and legislature wishes with respect to revenue and expenditure policies.

The executive is saddled with the primary responsibilities of governance. The budget process is therefore anchored by the executive whose responsibility it is to submit annual budget estimates as prescribed by law to the legislature. Through this, the legislature is able to exercise budgetary control over the executive to engender efficient utilisation of resources and promote national development.

In the quest for transparency and accountability in the budget process, many countries have introduced fiscal responsibility laws to guide the budget process by establishing fiscal rules on budget aggregates such as deficits, expenditure or debt. The Fiscal Responsibility Act, 2007 is in this direction.

The Federal budget, as all budgets, sets forth priorities of the various sectors of government and levels of spending, ways of financing the spending, and a plan for implementing the budget. The budget is essentially a very significant policy statement to chart the direction of the government for a fiscal year.

The roles of the Executive and the Legislature in the Federal budget process will be examined within the context of the Fiscal Responsibility Act, 2007. The need for better collaboration in the process will further be highlighted to bring out the salient features of an effective budget implementation that will guarantee the delivery of dividend of democracy.
Overview of the Budget Process

The Federal budget underwent a structural reform with the enactment of the Fiscal Responsibility Act 2007. The Act clearly spells out the requirements and guidelines for the preparation, approval and implementation of the budget and in such a manner that promotes accountability and greater transparency.

The budget process is initiated by the Executive with budget formulation. The process is kick started annually with the preparation of the Medium Term Expenditure Framework (MTEF) in line with the requirements of the FRA 2007. The MTEF is required to be prepared and endorsed by the Federal Executive Council not later than the end of the second quarter and presented to the National Assembly where it is expected to be approved not later than four months to the end of the year to pave way for the submission of the budget proposal by way of an Appropriation Bill. The National Assembly reviews the budget proposal and adopts a budget resolution, setting forth guidelines to be followed in deliberations leading to the passage of the relevant Appropriation Act to provide the legal authority for the Federal Government to obligate and spend funds. The Appropriation Act once assented to by the President creates legally binding spending ceilings for the Federal programmes it covers.

The entire budget process for a fiscal year can be divided into three phases; (1) budget formulation, (2) budget presentation and Legislature process and (3) budget execution. For any one fiscal year which runs from January 1 to December 31, the first two phases should take place early enough to culminate in the availability of a signed budget for implementation right from the first day of the year. The third phase can sometimes overlap into more than one year in respect of capital expenditure budget depending on the efficiency of funds allocation and releases.
Phases of the Budget Process

Phase 1: Budget Formulation

The preparation of the annual budget is preceded by the preparation and approval of the MTEF in accordance with the requirements of FRA 2007. The MTEF process is a core feature of the FRA as elucidated in sections 11 – 14. The MTEF is indeed at the apex of the budget process as annual budgets are derived from this all important document. The FRA in section 13 place emphasis on the need for the Minister responsible for budget to hold public consultations in the course of preparing the MTEF. Accordingly, inputs to the document are expected to be obtained from the States, relevant government agencies as specified, civil society organisations and other non-governmental agencies in order that the MTEF adequately reflects the needs of various stakeholders so that the government can be properly guided in the allocation of resources to match its priorities.

Over the years, the MTEF have been consciously produced but usually out of time and without due consultations. These lapses though contravene the relevant sections of the FRA, the Federal budget nevertheless has witnessed tremendous improvement in form and content as discretionary spending which was the bane of the budgets of yester years have been drastically reduced where not completed removed. The monitoring and enforcement of the FRA as being carried out by the Fiscal Responsibility Commission has added impetus to the improvement in the budget process.

The preparation of the budget begins when budget circulars are issued to all MDAs to kick start the process. The agencies submit their plans, set their priorities and develop their requests, which are submitted to the budget office. These submissions to a large extent are in accordance with the relevant Medium Term Sector Strategies (MTSS) as captured in the MTEF. The budget office thereafter scrutinises all estimates which are usually defended before incorporation to a draft Federal budget with detailed schedules and narratives.
Phase 2: Budget Presentation and Legislative Process

Budget presentation begins when the President transmits the budget to the National Assembly. Once the budget is transmitted usually with the budget speech delivered by the president, a summary and background information on the new budget highlighting the policy thrust of government with analysis of the previous year’s budget is made available to the public.

The next step in the process is the National Assembly’s hearings where MDAs explain and justify their budget proposals. The hearings are conducted by the various committees of the National Assembly and coordinated by the Appropriation Committees with the main purpose of gathering information and ensure adequate review of the budget before appropriations amounts are recommended.

The presentation of the budget to the National Assembly is only one step in the Legislative budget process, but it is the step that most directly involves the Executive and its agencies. The two houses of the National Assembly; the Senate and the House of Representatives independently consider the budget proposals and later harmonise their positions in a joint budget resolution and reconciliation to finally pass the budget into law as an Appropriation Act.

While the FRA provides adequate and effective guidelines on the budget process, it does not specify a time-limit for the submission and passage of the annual budget into law, it stands to reason that the budget instrument should be ready for execution from the beginning of the fiscal year. Moreover, Part IV of the Constitution of the Federal Republic of Nigeria (as amended) - dealing with interpretation, citation and commencement - specifically Section 318 thereof - describes FINANCIAL YEAR as "any period of twelve months beginning on the first day of January in any year or such other date
as the National Assembly may prescribe”. The case in Nigeria for years now wherein a new fiscal year’s budget is being awaited months into the fiscal year owing to the late passage of the budget messes up budget tracking and contributes to poor implementation of capital budgets in with attendant stunted national development. The Fiscal Responsibility Commission in its annual reports has continuously drawn attention to this unfavourable situation.

The thrust of the Fiscal Responsibility Commission’s activities in the compliance of the annual budget with the provisions of the FRA 2007 is to primarily monitor the alignment of the budget with the MTEF taking into account the intricate nature of the relationship of the Executive and the Legislature. Over the years, the lack of adequate communication between the two critical arms of government invariably results in discrepancies in the parameters for the MTEF with attendant delays in the approval of the framework for the annual budget.

Phase Three: Budget Execution

After the National Assembly and the President enact the legislation to create the budget in an Appropriation Act each year, the Executive led by the President is responsible for its execution.

The process of monitoring the implementation of the budget is provided in sections 25 – 30 of the FRA 2007. The instruments to facilitate an effective budgetary process and implementation monitoring include the preparation of Annual Cash Plan, Disbursement Schedule and periodic Budget Implementation Reports.

Section 25 requires that an annual cash plan is prepared in advance by the Accountant General of the Federation and shows projected monthly cash flows for the financial year. The plan is to be
revised periodically to reflect actual cash flows.

Section 26 on the other hand requires that a Disbursement Schedule shall be prepared by the Finance Minister within 30 days of the Appropriation Act and must be derived from the Annual Cash Plan.

The import of sections 25 & 26 underscore the need to ensure efficient and effective management of revenue and expenditure across all MDAs towards the achievement of budget targets.

Sections 30(1) & (2) of FRA 2007 makes it mandatory for the preparation and submission Quarterly Budget Implementation Reports to the Fiscal Responsibility Commission and the Joint Finance Committee of Finance of the National Assembly not later than 30 days after the end of each quarter. Similarly, section 50 requires a Budget Execution Report to be prepared for the entire budget year not later than six months after the end of the fiscal year. These reports are also required to be published in the print and electronic media and on the website of the Ministry of Budget and National Planning for ease of access by the public.

The Fiscal Responsibility Commission in the last six years have continuously nudged the Budget Office of the Federation and other agencies for prompt preparation of the relevant reports specified in the FRA to ensure a more reliable budget implementation monitoring. Physical verification of selected Federal Government capital projects are carried out across the six geo-political zones of the country when funding is available to monitor execution of such projects and to ensure value for money.
Executive – Legislature Cooperation

The Executive arm of government is traditionally responsible for the presentation and execution of the budget. The Legislature on the other hand is acclaimed with the power of the purse exercised through appropriations which is the foundation for democratic budget formulation.

In order to maximise the benefits of the budget process as a veritable instrument in governance, there is need for cooperation between the Executive and the National Assembly. This obviously has to be done within the context of independence of each arm of government as guaranteed in the Constitution.

Over the years, the National Assembly has positioned itself well for the legislative budget process through the establishment of the National Assembly Budget Office with increased capacity to analyse and evaluate budgets presented by the Executive. This has improved the quality of deliberative process on the budget. It is therefore essential that informal Executive – National Assembly relationship is further exploited to manage the legislative influence in budget proposals prior to publication so that contentious issues are resolved with a view to reduce the time required in the passage of budgets. It is also desirable that the budgetary powers of the National Assembly and the Executive should be harmonised without jeopardising the increasing independence of the two arms of government as separate institutions.
Conclusion

The National Assembly working with the Executive to budget the nation’s resources and oversight expenditure is perhaps the single most important ongoing duty of the National Assembly and undoubtedly one of the most contentious. While the power of the purse rests in the National Assembly, the boundaries and mechanism for its enforcement is usually not as straightforward thereby making effective interactions with the Executive inevitable.

In summary, to maximise the use of the budget as a critical tool for Executive - Legislative tool, it is imperative that the budget process is strengthened.

The following issues may therefore be considered;

- The budget process reforms should be continuous to enhance prospects for both legislative and executive control devoid of unhealthy institutional competition.

- The Executive should consider greater information sharing and increase collaboration with the National Assembly.

- The National Assembly can consider deliberations on overall fiscal targets and strengthening its capacity to budget duties and legislative oversight.

- There should be joint initiatives to improve accountability in budgeting through greater transparency and effective finance performance management.

- The Fiscal Responsibility Commission should be strengthened as an independent institution for oversight and enforcement of the Fiscal Responsibility Act 2007.