

## **Introductory Note on the Case Study**

Please keep the following questions in mind while reviewing this case study as you will need to share your ideas in the discussion forum as a part of the learning exercise on this topic.

*What were the key success factors in this initiative in Nigeria? Could these factors be applied in your country or regional context? If yes, why? And what are the main enabling factors in your country? If not, what are the impediments to implementing a similarly successful initiative within your country, and how do you think they should be addressed?*

### **Nigeria's Experience Publishing Budget Allocations: A Practical Tool to Promote Demand for Better Governance**

#### **The Initiative**

Since January 2004, the Nigerian Federal Ministry of Finance has taken an initiative to improve transparency at all levels of government, particularly the sub-national level. Every month, it publishes the federal, state, and local government shares of revenue from the country's federal account.<sup>i</sup> From its inception, then Finance Minister Ngozi Okonjo-Iweala led this initiative as one of many efforts to improve public expenditure management, itself part of a broader set of institutional and governance reforms.<sup>ii</sup>

The allocations published were those decided at the monthly Federal Account Allocation Committee (FAAC) meetings. Under the procedure established by the Nigerian Constitution, FAAC used a Revenue Allocation Formula to share federally-collected revenues between the federal level, the 36 States (plus the Federal Capital Territory), and the 774 local governments of the nation. According to the current formula 55 percent of total revenues is allocated to the Federal government, 25 percent to State governments, and 21 percent to local government authorities. Sub-national governments depend very heavily on such federal transfers. In fact, most states' internal revenues are less than 10 percent of their total revenues. Dependency of local governments on federal transfers is even higher.

On the 17th of each month, the day after the FAAC sat, summaries of how much each administrative unit received were published in major national newspapers and the Finance Ministry website. The amount each state received varies according to the number of local governments within the state and the amount of oil produced (producing states share in the 13 percent of revenues earmarked for them by the derivation formula). Actual allocations for July 2008 varied greatly from N2.4 Billion for Ebonyi to N6.6 Billion for Lagos, among non-oil producing States; and from N 3.1 Billion for Edo to N19.7 Billion for Rivers, among oil producing States.<sup>iii</sup> At the prompting of the President himself, the Ministry subsequently made these figures available for the entire period of the Obasanjo administration, as well as providing information on the content and interpretation of budgets and budget execution reports.

Nigeria's effort to publish budgets is a leading example of how transparent information is essential to allow citizens to participate effectively in governance, hold authorities to account, and thereby enhance development effectiveness.<sup>iv</sup> The intuition behind this burgeoning awareness is clear. Like for other good things, the best governance outcomes result when there is a free flow of information between those supplying government services and those demanding those services.

## Broader Program

The revenue publishing initiative was only part of a broad set of efforts the executive and the legislature launched to improve transparency. Following years of economic stagnation, the Obasanjo administration spear-headed a comprehensive reform program in its second term, including institutional and governance reforms. Through this set of policy measures, it sought to tackle corruption, which was identified as one of the main causes of poor economic performance in Nigeria. It included interventions in four areas, namely: public procurement, public expenditure, transparency in the oil and gas sector and the prosecution of corrupt practices. The revenue publishing initiative was a central element of the public expenditure management component of the institutional and governance reform.<sup>v</sup>

To complement these actions, the executive tabled the *Fiscal Responsibility Bill* and the legislature put forward the *Freedom of Information Bill*. The *Fiscal Responsibility Bill*, eventually signed into law by President Yar'Adua in November 2007, requires the Federal Government to plan its revenue-raising measures and spending priorities three years in advance with the objective of smoothing expenditures, and also places strict controls on government borrowing.<sup>vi</sup>

The *Freedom of Information Bill* was intended to buttress these efforts. Like similar legislation expanding public access to information in countries from Mexico to India, the bill would give Nigerians the right to request and receive information from public bodies about the conduct of public business. It would also provide protection for whistleblowers in the public service.<sup>vii</sup> Passed by the Senate in 2006, this Bill was submitted to the House of Representatives in November 2007 and is still pending approval.

## Impacts

As part of the broader, multi-faced program of reform, the publishing of revenue allocations changed the way that Nigerians viewed and

interacted with their government. With monthly revenue allocations then available on the internet and in the press, the initiative increased transparency, particularly of sub-national finances, and opened up dialogue on public revenues and expenditures at all tiers of government.<sup>viii</sup>

The popular response to the publication of the budget was extremely positive. It meant that the public could not be fobbed off with tales about the failure of the federal government to transfer funds to state and local levels. Further, it began a process whereby ordinary people could trace the flow of public resources and know who was accountable for the delivery of services.<sup>ix</sup> Accordingly, government officials who were not able to account for where resources had gone or why services had not been delivered felt pressure from their constituency and suffered politically.

“It was so popular the papers sold out. People got so excited saying, ‘So my local government gets N40 million a month, how come there is no chalk in the schools, teachers haven’t got paid, how come there are no desks and chairs, and there are holes in my road? What did you spend it on?’ A conversation took off in the country”, Ngozi notes.<sup>x</sup>

These changes were reflected in the improvement in Nigeria’s ranking in the Transparency International index of corruption (which rose 6 places in the ranking and 0.3 points in the Corruption Perception Index score). Accompanying changes in the institutional and legislative frameworks have complemented the initiative in its purpose of fighting corruption. The Economic and Financial Crimes Commission and the Independent Corrupt Practices and Other Related Offences Commission established as part of the institutional and governance reform program, have used the newly available information to pursue perpetrators of corrupt practices in all three tiers of government.<sup>xi</sup>

Finally, as a result of having this information available, civil society could take a more active and informed role in public debate about budgets and implementation. The media's ability to analyze and interpret budgets and government performance was greatly enhanced, providing impetus for a broader dissemination of information on fiscal issues. Since the implementation of the initiative, media reporting of budget spending at the state and local levels has increased, allowing ordinary citizens to monitor budget formulation and expenditure at the different levels of government.<sup>xii</sup>

## Challenges

The Nigerian Government's efforts to publish budget allocations faced a number of costs and constraints. Politically, while it engendered enormous public recognition and support, the prospect of greater accountability also threatened the rents of corrupt political elites. From the beginning, the champions of the initiative faced considerable hostility.

For example, Ngozi Okonjo-Iweala noted that, as champion of this work, "Putting information in the hands of the people didn't make me popular at all with the state governors. Some of them felt I was deliberately after them. Even today, some of them are still sore."<sup>xiii</sup>

The financial cost of publication in the newspapers ran to about US\$100,000 per month, or N2.5 million to publish in each of four newspapers. At the outset financial support for these Ministry of Finance publications was met by an international NGO, a fact which needed to be handled discretely because of political sensitivities. Later, this money was taken 'off the top' from the Federation Account (*i.e.*, before distribution between federal, state and local government). Unfortunately, the resources were not secured as a line item, state representatives later blocked their use, and budget allocations are now only available on Ministry of Finance website, not in newspapers.

While the federal budget and allocations to the state and local governments are still freely available online, a challenge remains to transform the mass of detail into a more user-friendly format.<sup>xiv</sup> While monthly publications inform citizens about how much money their state is allocated, they do not yet have access to information on how this is spent, for example, by sector or program.<sup>xv</sup> As Revenue Watch notes "revenue transparency must be accompanied by parallel efforts to make federal, state, and local government budgets more transparent if civil society groups are to have any chance of ensuring that public officials use state revenues to advance development objectives."<sup>xvi</sup>

## Lessons Learned

- 1. The publication of government budgets should be understood as part of a broad package of reforms upon which its relevance and effectiveness depends.** Although small and relatively low-cost, the initiative was a highly visible symbol of a shift in governing values, and was effective not only in transmitting information to citizens, but also garnering popular support for the wider reform process. The initiative arose out of a systematic assessment of sources and points of corruption, and the publication of budgetary allocations was selected, along side other means, as a key tool in promoting transparency.
- 2. Political support from the highest levels is essential to success.** Strong support for the initiative in Nigeria came from the Presidency itself. Such political will (including at times the personal courage of its champions) is likely to be an essential condition for change. At the same time, if championing politicians are given full credit for such initiatives, they will benefit from public recognition and popularity, thereby aligning their political interests with the momentum of reform.
- 3. The initiative both required, and in turn stimulated, the government to develop the capacity to analyze and present data about public finances in a clear, standard and systematic fashion.** In Nigeria, the existing formula and

procedure for revenue allocation required by the Constitution defined the initial scope of the information to be published. However, the lack of standardization and computerization of public financial accounts soon became apparent, and capacity building was undertaken in response.

**4. Information provided to the public should be brief, concise and published in an easily accessible format in order to enhance its impact.** Information is only useful to the extent that it is comprehensible or interpretable. The Nigerian experience illustrates how brief, regular publications highlighting key information about budgets and revenue allocations can enhance the potential of the media and the public to promote accountability.

**5. Publication has a financial cost for which continuity of resources needs to be guaranteed.** The Nigerian case illustrates that ensuring resources to maintain the initiative over the long run may be a challenge. While external sources of funding may provide a stop-gap or supplement, considerations of ownership, sovereignty and sustainability dictate that internal resources must be ensured for public information purposes.

**6. The impact of information on constructive public debate can be enhanced by engaging civil society and the media and building their capacity to analyze and interpret the information provided.** Public and media access to information can also be further supported by complementing legislation such as a Freedom of Information Act.

**Overall, transparent information about government revenues and allocations is essential to constructive public debate about national priorities. Publishing budget information sends a strong political signal that the Executive is open to, or even invites, public scrutiny of its actions. While it takes significant political will to launch and maintain such an effort, as part of a broader reform program, such steps can have real impacts on how citizens hold authorities to account and, ultimately, how development resources serve public interests.**

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<sup>i</sup> [http://www.fmf.gov.ng/FMF\\_Revenue\\_Alloc.aspx](http://www.fmf.gov.ng/FMF_Revenue_Alloc.aspx)

<sup>ii</sup> Nigeria's package of reforms in the areas of macroeconomic stability, structural reform, public expenditure management and governance were very successful in boosting the economy and improving public finances. Since 2001, the overall balance of the Government finances has changed from a deficit of -4.9% of GDP to a projected surplus of 16.4 % of GDP in 2008. A similar trend is observed in other indicators such as the Gross International Reserves, which grew from US\$7.7 Billion in 2002 to an estimated US\$28.3 Billion in 2005 and to a projected US\$98.5 Billion in 2008. The external debt outstanding as a percentage of GDP has also improved dramatically, decreasing from 62.3% in 2001, to 20.7% in 2005, and 3.5% (projected) in 2008, after debt relief under the Paris Club in 2005-2006. [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2007/06/26/000020439\\_20070626104202/Rendered/PDF/364960NG.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2007/06/26/000020439_20070626104202/Rendered/PDF/364960NG.pdf)

<sup>iii</sup> [http://www.fmf.gov.ng/downloads/FAAC/sa\\_July\\_2008.pdf](http://www.fmf.gov.ng/downloads/FAAC/sa_July_2008.pdf)

<sup>iv</sup> As an example of increasing recognition of the importance of transparency, participation and social accountability for better development outcomes, the World Bank Governance and Anti-corruption Strategy and Action Plan calls for efforts to scale up and mainstream support for the demand-side of governance.

<sup>v</sup> Interview with *The Independent (UK)*, May 16, 2006.

<sup>vi</sup> <http://www.budgetmonitoringng.org/Spotlights/2007/12/13/News12271/>

<sup>vii</sup> <http://allafrica.com/stories/200806040567.html>

<sup>viii</sup> Interview with *The Independent (UK)*, May 16, 2006.

<sup>ix</sup> [http://www.brookings.edu/papers/2007/0323globaleconomics\\_okonjo-iweala.aspx](http://www.brookings.edu/papers/2007/0323globaleconomics_okonjo-iweala.aspx)

<sup>x</sup> *ibid.*

<sup>xi</sup> By September 2006, 31 of the 36 Nigerian Governors were being investigated under charges of corruption by the EFCC, including some of those who have been traditionally regarded as "untouchable". <http://news.bbc.co.uk/2/hi/africa/5387814.stm>

<sup>xii</sup> For evidence on positive impact of budget transparency at the sub-national level see:

<http://www.budgetmonitoringng.org/Stories/2007/08/23/News12149>

<http://www.budgetmonitoringng.org/Stories/2007/03/21/News11746>

<http://www.budgetmonitoringng.org/Stories/2007/02/20/News11594>

<sup>xiii</sup> Interview with *The Independent (UK)*, May 16, 2006.

<sup>xiv</sup> [http://www.accessmylibrary.com/coms2/summary\\_0286-18233780\\_ITM](http://www.accessmylibrary.com/coms2/summary_0286-18233780_ITM)

<sup>xv</sup> In Rivers State, for example, according to Human Rights Watch, although the State government claims to publish its budget each year, in practice both state and local government budgets are treated as "closely guarded secrets".

<http://www.hrw.org/reports/2007/nigeria0107/>

<sup>xvi</sup> <http://archive.revenuewatch.org/reports/RWInigeriaApril2007.pdf>