PUBLIC FINANCE MANAGEMENT:
Issues and Challenges on Budget Performance

By

Professor Eddy Omolehinwa
Department of Accounting
University of Lagos

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Outline of Presentation

- Introduction with emphasis on the importance of the seminar against the background of a Nigerian society that is not functioning well.
- An overview of Public Finance Management and Budget Performance.
- Some things that we should get right in order to enhance budget performance
- The Roles of Public Financial Management in Budget Performance.
- Seven Issues In Public Finance Management That Affect Budget Performance Addressed in the Lecture.
- The Challenges Of Public Finance Management.
- Concluding Remarks with focus on improvement in good governance as a pre-requisite for improvement in government budget performance.

Introduction / Background

A country that is not functioning well by reference to UN Human Development Index, Ibrahim Index of African Governance and Transparency International Corruption Index.

UNITED NATIONS HUMAN DEVELOPMENT INDEX

- Comparative measure of life expectancy, literacy, education and standard of living for countries worldwide.
- In 2010, Nigerian was ranked 145 out of 172 countries surveyed and 25th out of the 50 African countries included in the survey.
- Nigeria’s neighbours Benin, Togo, Ghana and Cameroon were all ranked higher than Nigeria that year.
- In 2013, Nigeria was ranked 153 out of 186 countries.

IBRAHIM INDEX OF AFRICAN GOVERNANCE

- Seeks to assess the quality of services provided to African citizens by their governments.
- The 2011 index which involved 53 African countries ranked Nigeria 51st in health, 48th in infrastructure and 41st on the whole for governance compared to Ghana that was ranked 7th.
- In 2013 Index, Nigeria was scored 14.9% in infrastructural development.
- Nigerian West African neighbours Ivory Coast, Gambia, Ghana, Burkina Faso, Mali, Senegal, Benin, Liberia, Togo and Sierra Leone were all ranked higher than Nigeria as reflected in Table 1.

Table 1: Ranking of Infrastructural Development in Selected African Countries in 2013

COUNTRY	SCORE OVER 100	RANK
Seychelles	83.4	1
Mauritius	71.7	2
Namibia	69.6	3
Tunisia	61.6	4
Botswana	59.8	5
South Africa	54.1	7
Ivory Coast	39.3	14
Gambia	39.3	14
Ghana	34.1	20
Cameroon	33.5	21
Burkina Faso	30.7	28
Mali	27.4	32
Senegal	25.4	35
Benin	25.4	35
Liberia	24.9	36
Togo	18.4	40
Sierra-Leone	17.8	41
Nigeria	14.9	43

Source: Ibrahim Index of African Governance, 2013.

Table 2: Nigeria's Ranking In Transparency International Corruption Perception Index 1996-2013

Year	Number of Countries in The Ranking	Rank of Nigeria	Score Out of 10
1996	54	54	0.69
1997	52	52	1.79
1998	85	81	1.9
1999	99	98	1.6
2000	90	90	1.2
2001	91	90	1.0
2002	102	101	1.6
2003	133	132	1.4
2004	146	144	1.6
2005	159	152	1.9
2006	163	142	2.2
2007	180	147	2.2
2008	180	121	2.7
2009	180	130	2.5
2010	178	134	2.4
2011	183	143	2.4
2012	176	139	2.7
2013	177	144	2.5

* Highest score 2.7 out of 10
* Came last three times (1996, 1997 and 2000)
* Came second to the last four times (1999, 2001, 2002 and 2003)
* Third to the last 2004

Public Finance Management and Budget Performance in Nigeria.

- All the activities involved in resource generation, resource allocation and expenditure management in government in order to achieve efficient and effective delivery of public goods and services.
- These activities include budgeting, financial controls, accounting, financial reporting, internal and external auditing and actions taken on audited accounts.

Budget Performance

On the other hand, budget performance is the extent to which the budget:

- facilitates economic growth and development without having to allow a few people to monopolise the resources of our country.
- provides jobs for our citizens
- provides enabling environment for business activities including security for all, affordable interest rate and infrastructural facilities
- convinces the generality of the people that they are not excluded from the resource allocation as the government is thinking about their problems and doing something positive about them and thereby encouraging them to pay their taxes.

Some Things We Must Get Right In Order To Enhance Budget Performance

- Clarity of roles and responsibilities for the various officials and institutions in order to know the job specifications.

- Provision of relevant information to the various stakeholders at the right time in order to assist in taking the right decisions.

- A budgeting system that comes up with a fiscal framework that is sustainable over the medium term and beyond

- The budget should be prepared on timely basis and approved by National Assembly preferably before the beginning of financial year. This will also ensure that we have a meaningful cash plan by the Accountant-General as required by Section 26 of Fiscal Responsibility Act.

- Allocating resources to programmes on the basis of the country’s priorities and programme effectiveness.

Some Things We Must Get Right In Order To Enhance Budget Performance (cont'd)

- The government should not resort to escapism by including in the capital budget, projects that it has no intention of implementing in the first instance, only to turn around later to start looking for excuses for not implementing them.

- The President or Governor or the Chairman of any local government must learn how to avoid pressure (from various stakeholders especially the legislators) to include in the budget proposals already submitted to the legislators new projects that were not properly designed.

- Avoidance of overloading of MDAs' budgets so that they can have the absorptive capacity to implement the budget.

- There should be no overloading of contractors with more contracts than they can handle.

Some Things We Must Get Right In Order To Enhance Budget Performance (cont'd)

- Budget implementation that follows due process in line with the provisions of Public Procurements Act 2007.

- In order for the MDAs to take capital budget implementation seriously, there should be a stable commitment of funds so that the MDAs can plan ahead in the knowledge that there will be no sudden cut-off of funds at the implementation stage.

- In order for the MDAs to access the right amount of funds they need at the right time, they must prepare on timely basis the project/procurement documents and meet the requirements for obtaining certificate of no objection to award of contract.

- Minimum delays in payment of compensation to displaced communities and individuals in order to prevent friction at construction sites.

- Ability to determine the actual work done by the contractors so that disagreement will not cause delay in budget implementation.

Some Things We Must Get Right In Order To Enhance Budget Performance (cont'd)

- A system that should be able to provide feedback to government on the progress of the programmes or projects as it relates to performance of costs, targets and time schedule in comparison with the original plan.

- The reports received by the government on budget implementation should be able to assist the government to review or modify programmes or projects and to serve as a basis of further resource allocation

- The system should be able to identify the problems affecting the implementation of the budget, if any and suggest solutions as to how any identified implementation problems can be resolved not only in the present but also in the future.

Some Things We Must Get Right In Order To Enhance Budget Performance (cont'd)

- The required timely reports on government finance to the Parliament and the public should be subjected to scrutiny by Auditor-General of the federation in order to ensure the integrity of the reports.

- As much as possible, the citizens should be carried along by the government so that the budget reflects their preferences which in turn should encourage prompt payment of taxes.

- The MDAs should carry along not only the other tiers of government but also the host communities in the implementation of the capital projects.

- There must be in place managerial culture that promotes compliance with formal rules.

The Roles of Public Financial Management In Budget Performance

The roles of Public Financial Management in budget performance are to ensure that:

- The resources available to government are predictable and stable. This is to minimise risks and fluctuations in government fiscal operations in order to ensure long-term macro-economic stability
- The revenues due to the government are actually collected and when the revenues are collected they are **actually paid** into the **appropriate government accounts**.
- The procurement system put in place should not just follow due process as allowed by law but must ensure that the cost of any contract is such that guarantees value for money so that what the government gets from the contract is of comparable best value.
- Government debt is properly managed and co-ordinated in order to prevent fiscal indiscipline.
- There is a reliable and effective government accounting reporting system in place in order to enhance public accountability

Issues in Public Finance Management That Affect Budget Performance

For the purpose of this lecture the issues in public finance management that affect budget performance can be divided into seven categories.

- Issues supposed to be addressed by Fiscal Responsibility Act 2007.
- The issue of Sovereign Wealth Fund that has been a constant source of conflict between the Federal government and the States.
- Issues supposed to be addressed by Public Procurement Act 2007.
- The issue of the President being allowed to present his budget to National Assembly at any time before the financial year.
- The issue of the Constitution prohibiting the Auditor-General of the Federation from directly auditing the accounts of Federal government parastatals
- The issue of the existence of special Federal government funds which are excluded from the mainstream of national budget thereby breaching the important norms of transparency and accountability.
- The issue of our citizens not wanting to pay taxes and how to make them pay through petroleum consumption tax but only after raising the bar of public accountability.

Issues Supposed To Be Addressed by Fiscal Responsibility Act 2007

The Fiscal Responsibility Act 2007 is a landmark legislation aimed at installing the best practices in our public financial management, thereby enthroning transparency accountability and good governance

In a nutshell, some of the issues meant to be addressed by the Fiscal Responsibility Act that are relevant for my lecture include:

- how to minimize risks and fluctuations in government fiscal operations in order to ensure long term macro-economic stability
- government borrowing
- strengthening of transparency and accountability in budget preparation, execution and reporting

Minimising Risks and Fluctuations in Government Fiscal Operations

- The fiscal operations of Nigerian government have been affected by the uncertainty of oil price leading to boom and bust budgeting as documented in Omolehinwa and Roe (1989).

- The extent of the volatility of International oil prices between 2003 and 2010 for example, is reflected in Table 3.

Table 3 The Extent of Volatility of International Oil Prices 2003 – 2010

Period	Average Weekly Price of Oil per barrel	Standard Deviation
2003 – 2010	$62.43	25.43
2003 – 2007	$52.78	18.64
2008 – 2010	$81.80	26.23

Source: Budget Office of the Federation

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Savings And Asset Management (Excess Crude Account)

- Any excess revenue arising from selling oil at a price higher than the budgeted or bench mark is to be saved in excess crude account.
- The savings of each government arising from excess crude account shall be deposited in CBN in a separate account which shall form part of the consolidated revenue fund of the respective government.
- The CBN in consultation with the three tiers of government can invest the savings in consolidated manner on behalf of the various governments.
- The saved money cannot be withdrawn for spending unless the oil price falls below the pre-determined level for a period of three consecutive months.
- The withdrawal from the excess crude account is limited to the amount that will bring the government revenue to the level contained in the budget.
- Subject to the agreement by the Federal government and the states, a proportion of the savings may be appropriated in the following financial year for capital projects.

It must be pointed out that although the legal basis for the excess crude account is to be found in the Fiscal Responsibility Act, the Excess Crude Account has been in existence since 2004. This followed the government acceptance of the recommendation of Phillips Committee (2000)

The Challenges Arising From Excess Crude Account

(a) Determination of the Benchmark Price of Oil

- In view of the central role of benchmark price of oil in government budgeting in Nigeria, the Act ought to have stipulated how the benchmark price of oil should be determined without having to resort to arbitrary means
- Are we going to be using moving average of oil prices?
- If so, is it going to be a three-year moving average or five-year moving average or any other moving average?
- Such legislatively induced guideline should help to minimize conflict between the President and National Assembly on one hand and the Federal Government and the States on the other hand.
- Such conflict is reflected, for example, in the protracted delay in passing the 2011 appropriation bill. The President presented a bill with a benchmark price of oil of $65 in December 2010 but what eventually emerged in the Appropriation Act in May 2011 was a benchmark price of $75.
- There will be no need for this gap in future once the criteria for determining the benchmark price are well laid-down.

Non-compliance with the rules for withdrawal of money from the Excess Crude Account

- The conditions for withdrawal of money from the Excess Crude Account (ECA) as stated earlier in the paper are not followed.
- For example the Fiscal Responsibility Commission (2011:15) observed that "there were several withdrawals from the account in 2010 even though the market price of oil did not fall below the oil bench mark of $67 per barrel and the projected production of 2.39 million barrels per day (mpd).
- The ECA which had a credit balance of $20 billion in 2007 was drawn down to about $400 million in 2010."

Government Borrowings

- The conditions that any government in the country must satisfy before it can borrow money.
- All banks and financial institutions must request and obtain proof of compliance with the government borrowing provision as contained in FRA before lending to any government in the Federation.
- The Act imposes the responsibility on the President to set the overall limit of consolidated debt allowed for each government of the federation subject to the approval of the National Assembly.
- Compliance with the debt limit and conditions for borrowing shall be verified by the Fiscal Responsibility Commission on quarterly basis.
- When any government exceeds its limit of consolidated debt, the Commission should publish a list of such government indicating the amount the limit is exceeded.

The Main Challenge of Government Borrowing

The main challenge of the rules on government borrowing is with compliance with the rules by the various governments. For example the President is still to set the overall limit for consolidated debt allowed for each government of the Federation.

If this is not done, the question of Fiscal Responsibility Commission publishing the list of governments that have exceeded their debt limits does not arise.

Unless, the limits are set Nigeria may go back to reckless borrowings of the past.

(c) Transparency and Accountability

•The Fiscal Responsibility Act expressly requires the federal government to ensure that its fiscal and financial affairs are conducted in a transparent manner and accordingly ensure full and timely disclosure and wide publication of all transactions and decisions involving public revenues and expenditures and their implications.

• This is why for example the Act calls for quarterly *budget execution reports within 30 days* of the end of each quarter which should be published in the media and Ministry of Finance website.

•It is also worthy of note that the Act requires the Federal government to publish its audited accounts not later than six months after the end of the financial year. The government corporations listed in Appendix 3.1 of the Act which have not been privatised should publish their audited financial accounts not later than three months after the end of their financial years.

Nigeria Has Continued To Be Rated Lowly For Budget Transparency By International Budget Partnership

- The International Budget Partnership (IBP) which works with Civil Society Organisations and researchers worldwide conduct biennial open budget survey to evaluate the extent to which the national government of any country included in the survey gives the public access to budget information and opportunities to participate in the budget process.

- The survey normally examines the availability and adequacy of eight key budget documents, which are pre-budget statement, executive’s budget proposal, citizens’ budget, enacted budget, in-year reports of the budget, mid-year review of the budget, year-end report as well as the audit reports. Other matters examined include the extent of effective oversight provided by the legislature and the opportunities available for the public to participate in the national budget decision making processes.

- The 2012 Open Budget Index scored Nigeria 16 out of 100 compared to our English speaking West African neighbours, Ghana, Liberia and Sierra-Leone that scored 50, 43 and 39 respectively. The score shows that Nigeria’s rating has been declining since the bi-annual study started in 2006 when Nigeria scored 20 points which dropped to 19 in 2008, then 18 in 2010 before reaching the all-time low score of 16 in 2012.

No Provisions for Penalties for Breaches of Fiscal Responsibility Act.

In spite of the fact that the Fiscal Responsibility Act is a landmark legislation aimed at installing the best practices in our public financial management in our country, there is still a major problem. It is the failure of the Act to make any provision for the penalty to be imposed for the breach of any part of the Act. Although Section 39 of the Act provides that "any violation of the requirements of Sections 36, 37 and 38 shall be an offence" it did not indicate the penalties for non-compliance.

As Van Gunsteren (1976) has argued, for any rule to be effective as an instrument of control, it should make sense in terms of "on-going forms of life". One of the "on-going forms of life" in Nigeria or established custom before the enactment of the Act was lack of effective sanctions for breaches of government financial regulations. The Act therefore failed to address this fundamental established custom which the government should address.

The Issue Of The Sovereign Wealth Fund

- Through the Nigeria Sovereign Investment Authority Establishment Act of 2011, the Federal Government set up the sovereign wealth fund in place of the Excess Crude Account. The Fund is to be managed in three categories:
  - Future Generation Fund
  - The Nigeria Infrastructure Fund; and
  - The Stabilization Fund

- However, the Fund cannot be said to have taken off effectively because of the disagreements between the states and the Federal Government over the constitutionality of the Fund resulting in both parties going to the Supreme Court.

- Need for settlement out of court as it is not clear where the pendulum will swing.

What Should Be Done In Place Of The Sovereign Wealth Fund

- Even if the Supreme Court rules in favour of the fund, I believe that given the elongating problems of the country including mass unemployment of our youths and abandoned 11,889 federal government projects requiring ₦7.78 trillion to complete as at June 2011 (discussed subsequently) this is not the right time to talk about Future Generation Fund as provided for in the Act.

- Under our difficult situation, to ask the government to keep some fund for future generation is like asking a father to provide only one meal per day per child so that the family can have money to take care of the grand children when eventually they come in the future.

- In the place of the Sovereign Wealth Fund, we should go back to the Excess Crude Account regime which allows a proportion of the savings to be appropriated in the following financial year for capital projects.

- What is needed is to operate the excess crude account in more transparent manner so that the states do not feel cheated by the federal government. In addition the government should follow the rules for withdrawal of fund so as not to undermine the purpose of the fund.

Issues Related To Public Procurement Act 2007

Some of the Issues that the Act is meant to address are:

- Arbitrary awards of contracts without due regard to budgetary appropriations as best reflected in the celebrated case of importation of cement by Ministry of Defence between 1974 and 1976 as documented in Omolehinwa and Naiyeju, (2011).
- Poor costing of projects resulting in frequent revision upwards of costs of projects.
- Inflated prices of services rendered and not rendered and of goods supplied and not supplied (Awojobi, 1982)
- Abuse of payment of mobilization fees to contractors leading to *"a craze to start new projects and award new contracts instead of pursuing ongoing ones to completion" (Onosode Committee, 1984: 120)*
- Alleged cases of corruption
- The Act prescribes rules as to the due process that must be followed before contracts can be awarded. Unlike the Fiscal Responsibility Act, the Public Procurement Act prescribed penalties for breaches of the Act including *"a term of imprisonment of not less than five calendar years without any option of fine"*.

The Challenges of Contract Awards In The Country Today

- In spite of the effort by the government to sanitise the contract process, there are still some fundamental challenges to be addressed judging by the June 2011 report of the Federal Government's Committee on Abandoned Projects. According to the Committee, there was evidence of *"widespread institutional mediocrity, deficiency on vision and a lack of direction in project management which result in poor conceptualization, poor design and faulty execution."*

- This was in addition to the loss of billions of naira to dubious contractors and public officers through brazen inflation of contracts

- According to the Committee, ₦7.78 trillion is required to complete 11,889 federal government capital projects in the country

- This ₦7.78 trillion required to complete the projects is more than 8 times of the actual amount spent on capital projects in 2010

- This therefore presents challenges to the government on which projects to discontinue

- Irrespective of the projects to continue, the government must take a proper look at the report in order to prevent re-occurrence in the future.

The President Still to Set Up National Council on Public Procurement

- Unfortunately, about 7 years after the Public Procurement Act came into existence the National Council on Public Procurement that is supposed to ensure that the objectives of the Act are achieved has not been set up by the President as required by law.

- The 12-man National Council on Public Procurement established by Section 1 of the Procurement Act is meant to be headed by the Finance Minister and to have five other appointees of the President, i.e. the Attorney General and Minister of Justice, Secretary to the Government of the Federation, the Head of Service of the Federation, the Economic Adviser to the President and Director-General of Bureau of Public Procurement (who is supposed to be recommended to the President for appointment by the Council). The other six members who are to be on part-time basis are supposed to represent six key stakeholders which are Nigerian Society of Engineers, the Nigeria Institute of Purchasing and Supply Management, Civil Society, Nigeria Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA) and the media.

The President Still to Set Up National Council on Public Procurement (cont'd)

- The non-setting up to the council means that only those in government have been involved directly with the management of government contracts. The other stakeholders have therefore been denied their valuable contribution especially in the areas of project design, costing and legality of government action.
- The National Council on Procurement should be set up without further delay to enable the part-timers help in reducing the effect of information asymmetry which some government officials can use to mislead the government into taking decisions that will benefit them at the expense of the country.
- A very good example of the problem of information asymmetry is the revision of the construction cost of East-West Road in the Niger Delta Region from ₦138 billion in 2006 to ₦245 billion in 2011.
- The government blamed the designers of the initial project for failing to take *"into account the difficult terrain of the region"* for the cost revision. If the government had sought the honest advice of professionals from outside government with no vested interest in the contract, right from the beginning they should have advised that the difficult terrain of the region had not been provided for.

The Issue of The President Not Having To Present His Budget Early Enough To National Assembly

- Section 8 (1) of the 1999 Constitution stipulates that *"The President shall cause to be prepared and laid before each House of the National Assembly at any time in each financial year estimates of the revenues and expenditure of the federation for the next following financial year"*
- The provision that allows the President to present his budget "at any time" before the commencement of the financial year differs from what operates in the United States of America where the US Congress has about eight months to deliberate and conclude discussion on the President's budget proposals before the commencement of the financial year.
- The current arrangement where the President can present his budget at "any time" before the commencement of the financial year has been a constant source of delay in passing the Appropriation bill which only the President can initiate.

The Issue of The President Not Having To Present His Budget Early Enough To National Assembly

- For example, the 2014 Appropriation Act did not come into existence until 23rd May 2014.
- The members of the National Assembly need enough time to collect accurate and reliable information to do a proper analysis of the budget proposals.
- This is in addition to the inputs from the various interest groups which should assist the legislators in the decision-making process.
- Such important inputs should go a long way in reducing the need for supplementary appropriation bills as soon as the appropriation bill is sent to the National Assembly. The needs to meet the above conditions and the frequent disagreements between the Presidency and National Assembly have ensured that the budgets are not approved on time. For example, out of a total of ₦1280.71 billion approved for capital projects in 2009, ₦253.55 billion (representing 19.8% of the total) was approved only in December 2009, the month the budget year was supposed to have ended
- . As a result of this, the end of the budget year for capital budget implementation is now extended to 31st March of the following year. In spite of this extension, only ₦935.61 billion was utilized out of the ₦1.76 trillion approved for capital projects in 2010 (Okogu, 2011).
- There is therefore the urgent need for the President to be given time frame within which to submit his budget to the National Assembly.

The Issue of The Constitution Prohibiting The Auditor-General For The Federation From Auditing The Accounts Of Government Parastatals.

- Under Section 85(3) of the 1999 Constitution, the Auditor-General is **not allowed** to audit the accounts of or appoint auditors for government statutory corporations, commissions, authorities, agencies and other bodies established by an Act of the National Assembly.
- This was not the case under 1979 Constitution
- Although the Auditor-General cannot directly appoint auditors for statutory corporations, he is expected to provide such corporations with a list of qualified auditors from which the bodies are expected to appoint their external auditors.
- In view of the alleged cases of malpractices in some of these corporations, it is time for the Auditor-General to take full control of the audit of these corporations or be allowed to appoint the auditors that will do so.
- This is why the Office of the Auditor General for the Federation Bill, 2014 before the National Assembly is a welcome development that should be treated with utmost urgency.
- In strengthening the roles of the Auditor-General, the government is advised to take a look at Sharman's report (2001) on the review of audit and Accountability in UK.

The Issue of The Existence Of Some Special Government Funds That Are Not Accounted For In The Accountant-General's Financial Statements

- There exist some special funds which the government called *"Intervention Funds" which are listed in* Table 4
- Irrespective of the justification of keeping these special accounts, the truth of the matter is that the accounts are excluded from the mainstream of the national budget which is a breach of the important norms of transparency and accountability
- The keeping of these accounts outside the preview of the budget is a fertile ground for possible abuses by the operators. Moreover, the operation of these accounts behind the screen often breeds suspicion about the good intention of such policies among the federating units.
- As at now, the only information available to the public on these funds is through Note 2 to Accountant-General's Financial Statement.
- The information, if it is provided at all, is on the opening and closing balances on each account.
- This means that the reader of the note cannot determine the revenue that came into each account in a particular year let alone how much was spent, for what purpose or which state or zone of the country benefited from the fund.

Table 4:Special Funds of Government Not Accounted For

S/N	Name of Fund	Source of Funding
i	Natural Resources Development Fund	1.68% of Federation Account
ii	Federal Capital Territory development Fund	1% of Federation Account
iii	Ecological Fund	1% of Federation Account
iv	Stabilization Fund	0.5% of Federation Account
v	Tertiary Education Trust Fund	2% tax on the assessable profit of all companies registered in Nigeria
vi	Port Development Levy	7% of FOB value of import
vii	Sugar Development Levy	5% of value of sugar import
viii	Rice Development Levy	10% of value of rice import into Nigeria
ix	Comprehensive Import Supervision Charge	1% of FOB value of import
x	ECOWAS Trade Liberalization Scheme (ETLS)	0.5% tax on all products imported from non-ECOWAS Countries
xi	Nigeria Export Supervision Scheme (NESS)	0.5% FOB of non-oil export
xii	Bilateral Air Service Agreement (BASA) Fund	All funds accruing as a result of air service agreement entered into by Nigeria
xiii	Federal Government Signature Bonus Account	Fees and charges collected by Department of Petroleum Resources from companies prospecting for oil in Nigeria before a final mining concession is granted.

The Issue of Our Citizens Not Keen on Paying Taxes And How To Make Them Pay Through Petroleum Consumption Tax

- At the moment, the various tiers of government especially the states and the local governments are not having enough financial support from their citizens. This is evident for example, from the revenue dependence of the states on federally collected revenue.
- According to Omolehinwa and Naiyeju (2011), using the available data from Central Bank between 2000 and 2009, the extent of revenue dependence by the states and Federal Capital Territory on Federal Government Revenue sources was 87.1%. This means that the states could not even generate up to 13% of their revenues internally.
- Petroleum consumption tax as an effective solution to our citizens unwillingness to pay taxes
- The tax which should be paid at the point where the fuel is purchased should for a start be for the purposes of repairing roads and providing subsidized public transportation by the three tiers of government.

The Issue of Our Citizens Not Keen on Paying Taxes And How To Make Them Pay Through Petroleum Consumption Tax

- For a start, we can increase the fuel price per litre by ₦15. Out of this amount, ₦5 should go to Federal Government, ₦5 to the state where the petrol station is situated and the last ₦5 to the local government corresponding to the location of the petrol station.
- The share of Federal Government in each state should be used to repair the federal roads in the relevant geo-political zone of the country. The normal annual appropriations should be used to assist any area where there is resource gap.
- In order to allay the fears of the citizens that the money collected will not be used efficiently for the purposes stated; we need to enhance accountability for the fund by bringing in tested and trusted individuals outside government. They should be representatives of various stakeholders including the professional bodies, civil societies, traditional institutions, transport workers and representatives of Resident Associations who should work hand-in-hand with selected relevant government officials. The body managing each fund whether at the local government level, state level or at federal level will have to give quarterly reports of the money collected and what it is used for.

Why The Petroleum Consumption Tax Is Fair

This arrangement is fair for at least four reasons:

- Every vehicle owner is compulsorily required to support not only the maintenance of the roads he/she normally uses but also the less-privileged members of the society that do not have their own vehicles and must therefore rely on public transportation.
- It is not only those who ply the roads with toll gates that will pay to support government road maintenance but everybody that puts vehicle on any road.
- The need for areas with more vehicular traffic to have more funds for road repairs is taken care of in the sharing formula while allowing the government to use the annual budget to subsidize any area that does not have enough money for road repairs or public transport.
- Those who use petrol for other purposes other than driving vehicles on the road can at least have access to their offices and homes if the roads are maintained as at when due from the proceeds of the tax.

Petroleum Consumption Tax not the same as Oil Subsidy

For the avoidance of any doubt, this Petroleum Consumption tax that I am proposing has nothing to do with the so called oil subsidy. It assumes that government will leave efficient oil refining in Nigeria to those who can do it at competitive prices similar to what we have in the telecommunication industry.

Concluding Remarks

- The issues discussed in this paper are what good governance is all about.
- Good governance is concerned with transparency, accountability, effectiveness, efficiency, equity and minimisation of corruption. It is also concerned not only about the present needs of the Society but also the future needs.
- We should therefore not expect improvement in government budget performance unless there is remarkable improvement in governance in our country especially reduction in corruption.
- In the words of Huguette Labelle, Chair, Transparency International (2014): “It is time to stop those who get away with acts of corruption. The legal loopholes and lack of political will in government facilitate both domestic and cross-border corruption and call for our intensified efforts to combat the impunity of the corrupt”.
- This is why the various stakeholders in the country especially the civil society organisations should not allow the political leadership to hide material financial facts from the public.
- If this is not done, public reporting is more likely to be infrequent, unreliable and less comprehensive. This will then pave way for leadership that is unwilling to submit themselves to public scrutiny. The more successful the leadership can be in resisting public scrutiny, the more likely the roles of Accountants and Auditors as guardians of public purse will be rendered nugatory since the leadership will have no incentive to take corrective actions to safeguard public funds.

Concluding Remarks

- In order to compel the leadership to safeguard public funds, we should take advantage of the accountability weapon provided by Section 51 of the Fiscal Responsibility Act. The section empowers any interested Nigerian or body to go to the Federal High Court to enforce the provision of the Act **without having to show any special or particular interest**. A very good example where the provision of the Act can be enforced is a loan given by a Bank to a government official purportedly on behalf of the Nigerian people.
- Finally, we need to improve on the integrity of government financial reports especially those of government corporations like NNPC.
- This is because without proper accounting, there can be no accountability and without accountability we cannot turn back the tide of corruption and without the tide of corruption being turned back, our country stands the risk of being a failed state. This we must not allow to happen.

Thank you for your attention.