Benchmarking Selected Nigeria's Federal Ministries, Department and Agencies (MDAs) using the Fiscal Responsibility Index (FRI): 2011-2013

By

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LIST OF ACRONYMS

Acronyms	Meaning
AfDB	African Development Bank
AFR-PREM	Africa Regional Poverty Reduction and Economic Management
APRM	African Peer Review Mechanism
ATAF	African Tax Administration Forum
AUC	African Union Commission
BECANS	Business Environment Competitiveness Across Nigerian States
CSOs	Civil Society Organizations
ECA	Economic Commission for Africa
FCT	Federal Capital Territory
FGN	Federal Government of Nigeria
FRA	Fiscal Responsibility Act
FRI	Fiscal Responsibility Index
GIFT	Global Initiative for Fiscal Transparency
GIZ	Gesellschaft für Internationale Zusammenarbeit
GmbH	German Technical Cooperation
GPFG	Good Public Fiscal Governance
IATI	International Aid Transparency Initiative
IBP	International Budget Partnership
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
MDAs	Ministries, Department and Agencies of Government
NDDC	Niger Delta Development Commission
NEITI	Nigerian Extractive Industry Transparency Initiative
NGOs	Non-Governmental Organisations
OBI	Open Budget Index
OBS	Open Budget Survey
OECD	Organisation of Economic Cooperation and Development
PEFA	Public Expenditure and Financial Accountability
PEMFAR	Public Expenditure Management and Financial Accountability Review
PER	Public Expenditure Review
PFM	Public Financial Management
PREM	Poverty Reduction and Economic Management
RCTs	Randomised Controlled Trials
ROSCs	Reports on the Observance of Standard Codes
SBOs	Senior Budget Officials
SEEDS	State Economic Empowerment and Development Strategies
SFRI	Sovereign Fiscal Responsibility Index
SNA	System of National Accounts
TAIs	Transparency and Accountability Initiatives
UNGA	United Nations General Assembly

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EXECUTIVE SUMMARY

Fiscal policy is a tool used by governments to influence the direction of economic activities, with the goal of promoting economic stability, growth and development. Public finance in Nigeria has been characterised by the "*common pool problem*" where revenues are drawn from every part of the economy and from the larger population to fund expenditure programmes targeting narrow interest groups; thereby creating differences in benefits between the larger group of taxpayers and the smaller group of programme recipients. This creates abundant possibilities for huge free riders. In an effort to overcome this challenge, several fiscal laws and policies including regulations have been put in place since the return to civil rule in 1999. One of the sunshine laws is the Fiscal Responsibility Act (FRA) of 2007 which has been domesticated in several states of the federation.

Although fiscal responsibility is an economic concept, it can be seen from the Nigerian context as having the budget and the Medium Term Expenditure Framework (MTEF) anchored on high level national planning frameworks including Vision 20:2020 and its implementation plans; in other words, policy based budgeting. According to the long title of the FRA, this has a target of prudent management of the nation's resources, ensuring long-term macro-economic stability, and securing greater accountability and transparency in all fiscal operations (pre-budget activities, budget preparation, budget approval, budget implementation, monitoring and evaluation as well as internal and external audit).

In 2014, a collaboration between the Centre for Social Justice (CSJ) and the Fiscal Responsibility Commission (FRC) with funding and technical support from the Open Society Initiative for West Africa (OSIWA) developed domestic instruments, indicators and index to facilitate benchmarking of the performance of Nigerian federal Ministries, Departments and Agencies (MDAs) in their implementation of fiscal laws and policies including regulations on fiscal responsibility. The index called the Fiscal Responsibility Index (FRI) was developed with inputs from different Civil Society (CS) groups, professional associations and government agencies including the FRC before validation. The FRI is a flagship assessment of how MDAs at the federal level have complied with the provisions of these laws, policies and regulations using the locally developed Index. The FRI covers sub-indexes on policy based budgeting; budget comprehensiveness and transparency; budget credibility; budget implementation, monitoring and evaluation; accounting, recording, reporting and external auditing; as well as a special section looking at how the Ministry of Finance delivers in some of the critical provisions of the FRA (2007).

This study leading to the FRI is a pilot study of sixteen federal MDAs including Federal Ministry of Agriculture and Rural Development; Aviation; Education; Environment; Health; Finance; Lands, Housing and Urban Development; Mines and Steel Development; Power; Transport; Trade and Investment; Science and Technology; Water Resources; Women Affairs; Works; and Youths Development. The study covered the period 2011-2013 only, though some questions requested for information from years beyond the focus years.

Data for the study were in two parts. The first part solicited information from the selected MDAs that are to be rated, while the second part elicited information from credible government reports and other desk sources. The study also solicited published documents on fiscal procedures for the country to see how observed procedures across MDAs differ from the regulations. The public including the CS groups and representatives of the various MDAs were notified in advance of the need to carry out this rating with the main goal of benchmarking federal Government of Nigeria MDAs using the FRI in order to promote prudent public financial management across federal MDAs.

Evidence from the study shows that in terms of ***Policy-based budgeting sub-index***, the Federal Ministry of Works followed by Trade and Investment, Mines and Steel, Environment, Agriculture, Power, Youth Development, Lands and Housing, Transport, Health, Women Affairs, Science and Technology, Aviation, Finance, Water Resources and Education in that order applied policy based budgeting. But a striking information from the index is the fact that Federal Ministries of Lands and Housing, Transport, Health, Women Affairs, Science and Technology, Aviation, Finance, Water Resources and Education were below the index minimum benchmark implying they performed below expectation.

Evidence from the ***second sub-index*** which looked at budget ***comprehensiveness and transparency*** shows that apart from Environment in the survey period, no other selected MDA crossed the benchmark line implying that these focal MDAs cannot be said to be budget comprehensiveness and transparency compliant. The findings corroborated the latest result of the country in the 2015 Open Budget Index (OBI) where Nigeria scores 24 out of 100 points in budget transparency. In terms of ***budget credibility,*** being the ***third sub-index***, only one MDA (Aviation) has the score that is higher than the benchmark score in the study period. According to Simson and Welham (2014), budget credibility helps to improve the operational efficiency of government by requiring consideration of trade-offs between priorities and allowing for the better coordination of dispersed actors, setting out what government will deliver in return for continued financial support.

With regards to the ***fourth sub-index*** on ***budget implementation, monitoring and evaluation***, the results show that apart from the Federal MDAs such as Agriculture, Lands & Housing and Youth Development for the period of the survey, other selected MDAs have scores below the index benchmark. Problems in MDA budget implementation systems could sometimes reflect wider systemic challenges and integrity issues, rather than lack of capacity. Also interesting is the fact that evidence from the survey shows that in ***the sub-index benchmark of accounitng, recording, reporting and external auditing***, most MDAs including Science & Technology, Mines & Steel, Water Resources, Finance, Aviation, Environment, Lands & Housing, Education as well as Agriculture have scores above the index benchmark while other MDAs have scores below the benchmark.

Assessing the role of the Finance Ministry in the preparation of the Medium Term Expenditure Framework (MTEF), survey evidence within the study period shows that of all the provisions, the Finance Ministry was able to perform two (fiscal strategy paper contains an expenditure and revenue framework as well as the MTEF submitted on time to the National Assembly for consideration) out of ten (10) roles to a maximum point.

According to the methodology adopted, the totals of different sub-indexes were summed up and the average calculated to arrive at the Fiscal Responsibility Index (FRI). Two-thirds (66 percent) is the minimum benchmark for there to be an accepted level of fiscal responsibility in the MDA. Evidence from the survey revealed that Federal Ministry of Environment (69.36 percent) followed by Lands and Housing (67.62 percent), Works (67.49 percent), Mines & Steel (66.86 percent) and Agriculture (66.65 percent) were the only MDAs that crossed the two-third (66 percent) benchmark line for fiscal responsibility. Other eleven MDAs in the study have scores below the two-third benchmark for a fiscally responsibility MDA. While Environment has a score of 69.36 percent to top the list, Health scores 39.08 percent and the least for all selected or pilot MDAs. The final scores of Fiscal Responsibility Index (FRI) show that there are still lots of work to be done at every MDA. None of the MDAs could make it to 70 percent. There is every need for improvement across the MDAs whether at the top or at the rear of the Index. This is important because sound fiscal policy and its attendant fiscal responsibility can have important long-run effects on the health of the Nigerian economy through its desired impact on growth of productivity, reduction of poverty and inequality and increased national saving.

Enthroning fiscal responsibility by different MDAs at every level of governance in Nigeria will have a positive effect on job creation, improve social and economic infrastructure, reduce over dependence on revenue from oil and gas, as well as reposition the country for food sovereignty and food security. These cannot be achieved if the system lacks accountability and transparency at all facets of governance.

A more productive Nigeria will reduce the call for several social security programmes and that can be achieved if fiscal targets are met by adhering to the provisions of the different fiscal laws and policies (fiscal responsibility). In contrast, if Nigeria allows fiscal irresponsibility, it will limit her ability to function effectively as a nation. A fiscally irresponsible Nigeria may not be able to implement and sustain programmes (service delivery and growth oriented) designed to promote overall development and may not even be able to fund its own consumption in ordinary times. Based on the linkage between fiscal responsibility and its impact on the Nigerian economy and the productivity of workers, the study recommends as follows:

- Fiscal responsibility should be improved across all MDAs in raising and spending public money on identified and approved national priorities. It should also be mainstreamed in monitoring and evaluation;

- MDAs are required to place emphasis on how to manage the country's resources, obligations and fiscal risks in a manner that ensures the sustainability of the fiscal position in the short, medium and long terms by adhering to the provisions of fiscal laws and policies both in theory and in practice. This is the only way the country can boost her productivity (output per capita) and standard of living;

- The Fiscal Responsibility Commission (FRC) is charged with the need to ensure good fiscal governance across the MDAs through the provisions of the FRA (2007). The findings of the current survey may be very crucial to their functions for better application of good fiscal principles; and

- Every MDA should study the detailed completed survey instruments with analysis and scoring template to understand where she needs to improve in terms of documentation and practice to ensure better service delivery and compliance to provisions of the Fiscal Responsibility Act as well as other fiscal related laws and policies of the Government of Nigeria.

Every MDA should note that good governance requires good institutions with sets of rules governing the actions of individuals and organisations. It also requires a high degree of transparency and accountability in public and corporate processes.

In conclusion, as the first-ever benchmarking and comparative assessment of fiscal responsibility across MDAs, FRI has raised lots of issues on the structure and efficacy of fiscal responsibility research and advocacy in Nigeria. FRI is a first step into peer review, experience sharing at the MDA level and healthy competition for better Public Financial Management (PFM). The competition is essential to nurture fiscal responsibility that can help the country achieve her set out goals. The buy-in already elicited from different MDAs, CSOs and International partners assures its ownership and sustainability. FRI is underpinned by good home grown methodology, strong government-civil society partnership and guaranteed use of its results by key stakeholders at all levels. Hence, FRI is well-positioned to foster evidence-based PFM reforms across the federal MDAs in Nigeria and this can be extend to other tiers of governance in Nigeria.

SECTION ONE

INTRODUCTION

1.1 Background to Fiscal Responsibility Index (FRI)

Generally, fiscal responsibility is an economic concept with different definitions depending on the circumstances but the underlying fact is that it has to do with smart spending and good strategies for debt management. Perhaps, the most basic definition of fiscal responsibility is the act of creating, optimising and maintaining a balanced budget. To achieve this conventional definition in Nigeria, fiscal responsibility can be seen as having the budget and the Medium Term Expenditure Framework (MTEF) anchored on high level national planning frameworks including Vision 20:2020 and its implementation plans, in other words, policy based budgeting. This is in line with the major objectives of the Nigeria's Fiscal Responsibility Act (FRA) enacted in 2007. The Act provides for the prudent management of the nation's resources; ensure long-term macro-economic stability, and to secure greater accountability and transparency in fiscal operations.

In addition to above expectations, fiscal responsibility demands that the executive should make available to the legislature and the Nigerian citizens information on how: "it identifies its priority areas for development and sources of revenue; its estimates are generated and how much to be spent on the priority areas identified; process of getting the approval of the law makers to generate money from the sources identified and how to spend money as allocated to the priority areas for development; money generated from the approved sources and how the money was spent on the approved priority areas for development; and how it plans not only to monitor but allow others to be involved in monitoring and evaluation on how well the money was generated and spent".

Fiscal Responsibility Index (FRI)[1] in this context is expected to be a tool used by policy makers to boost progressive public financial management (PFM) that will not only look at inclusive policy based budgeting but foster comprehensiveness and transparency in budgeting and financial management (budget implementation, accounting, recording, reporting and auditing), as well as monitoring and evaluation that improves overall budget credibility. With progressive PFM, economic growth and development will be boosted with an attendant surge in citizens' wellbeing or standard of living. Indicators included in the FRI are indicators of effective fiscal governance and public finance management regime as enshrined in different Nigerian fiscal laws and policies at the national level. These include indicators for pre-budget activities, budget preparation, budget approval, budget implementation, monitoring and evaluation as well as internal and external audit. A good number of these requirements are found in Fiscal Responsibility Act (FRA) of 2007, Public Procurement Act (PPA) of 2007, and the Nigerian Extractive Industry Transparency Initiative (NEITI) Act. Some indicators were extracted from the Federal Republic of Nigeria Financial Regulations (Revised Edition of 2009), different Treasury Circulars, Civil Service Rules, and the Code of Conduct for Public Officers, etc. These indicators are key instruments for the operation of the Fiscal Responsibility Commission (FRC) which was

[1] FRI was developed in 2014 by Nigerians with inputs from Civil Society groups and government officials including the Fiscal Responsibility Commission.

established to ensure the implementation of the FRA in furtherance of the nation's commitment to check malfeasance in public finance management.

The FRI was guided by some other national and sub-national studies including: the Nigeria Governance and Corruption Survey of 2001; Benchmarking and Assessment of the Performance of States under the State's Economic Empowerment and Development Strategies (SEEDS) of 2005; Business Environment and Competitiveness Across Nigerian States (BECANS) of 2007 and 2010; as well as the Mapping & Scoping Survey of Anti-Corruption and Governance Measures in Public Finance Management (PFM) of 2009, 2012 and 2013.

Regional and international studies consulted during the development of the FRI include but not limited to: the Public Expenditure and Financial Accountability (PEFA) Programme; the Declaration on Good Public Financial Governance in Africa; the World Bank Poverty Reduction and Economic Management (PREM) Indicators as developed by the Africa Regional Poverty Reduction and Economic Management (AFR-PREM); the African Peer Review Mechanism (APRM); Transparency and Accountability Initiatives (TAIs);; the Public Financial Management (PFM) Performance Measurement Framework; the IMF Code of Good Fiscal Practices; Sovereign Fiscal Responsibility Index (SFRI) developed by the Stanford Institute for Economic Policy Research; the German Law and Fiscal Responsibility; the Global Initiative for Fiscal Transparency (GIFT); the Open Budget Index (OBI) developed by the International Budget Partnership (IBP), Washington DC; Government Finances Statistics Manual of the IMF; the International Public Sector Accounting Standards (IPSAS); as well as the OECD Best Practices for Budget Transparency.

The FRI therefore, encompasses the public fiscal processes including planning; budgeting conception and formulation; budget execution and implementation; public financial accounting and reporting; internal controls; external scrutiny and oversight as well as monitoring and evaluation; and follow-up in line with other fiscal performances indexes as enumerated above. The coverage of these basic indicators and variables allows the FRI to adapt to these frameworks and other standard fiscal codes and indexes.

1.2 Goals and Objectives of the Study

Benchmarking federal Government of Nigeria MDAs using the FRI seeks to promote prudent public financial management across federal MDAs. By ranking MDAs on their fiscal performances, the MDAs themselves will be challenged to improve on their performances, share experiences and learn from the best in class. Also, the civil society and other private sector stakeholders will be armed with evidence-based tool to advocate for reforms that will improve governmental service delivery and enhance transparency and accountability. Also, the government will understand some of the loopholes in the law that creates room for fiscal irresponsibility across the MDAs. In a nutshell, this study intends to do the following:

- Apply a domestic framework of indicators and indices for monitoring and assessing the level of fiscal prudence across federal MDAs.
- To produce baseline empirical data and statistics for assessing the identified indicators and indices.
- Benchmark and rank the level of fiscal responsibility (or otherwise) of the MDAs.

- Set up the baseline data that will be used for future benchmarking so as to monitor progresses (or failures) that may arise from the current benchmarking.
- Facilitate the use of the fiscal responsibility report for advocacy by the civil society and other private sector stakeholders.
- Promote the use of the fiscal responsibility report in identifying, designing and implementing reforms.

1.3 Justification and Impact of the Study

So much has been said about the centrality of efficient public finance management in developing countries like Nigeria. Being a major driver of productivity in the macro-economy, the government has to take necessary steps in ensuring an effective fiscal policy system. This implies guaranteeing the discipline of prudent fiscal behaviour among public service entities and public servants.

In order to facilitate such discipline, several laws have been put in place by the government of Nigeria such as laws on fiscal responsibility and public procurement, etc. These laws are made to ensure that public servants conduct themselves within the confines of prudent public financial management rules and guidelines. However, there is no evidence that these laws have been fully implemented across the entire public service. To be able to understudy the level of implementation of the laws, benchmarking the various MDAs in line with their conformity to the laid down procedures becomes necessary.

There could be several ways of ranking fiscal responsibility among Nigeria's MDAs. However, there is no known study that has tried to benchmark and rank Nigeria's MDAs in terms of fiscal prudence. Some studies that have tried to benchmark fiscal prudence in Nigeria only looked at it from the perspective of the Sub-National Governments (States). This study using the FRI is aimed at closing such lacuna.

1.4 Limitations of the Study

This study leading to the use of Fiscal Responsibility Index in benchmarking Federal MDAs seeks to promote prudent public financial management and compliance to the provisions of the Fiscal Responsibility Act (2007). As this is the first use of this domestic instrument, (a form of pilot study), the study did not cover all MDAs hence, sixteen MDAs have been chosen. The study is also constrained by resources such as funds and time as well as delays in the release of information by some of the MDAs who are still doubtful of what the end product of the study might be. The study covered the period 2011-2013 only though some questions requested for information for years beyond the focus years. This survey used the old names of the MDAs and not the new MDAs as a result of some mergers by the current administration. The old names were used since the information sought were for the period 2011-2013.

SECTION TWO

FISCAL RESPONSIBILITY INDEX (FRI) FRAMEWORK AND METHODOLOGY

2.1 Conceptual Framework

Fiscal responsibility according to wiseGEEK.com is an economic concept that can have a couple of different definitions depending on the circumstances, though it almost always involves strategies for managing debt and adopting practices of so-called “smart” spending. A lot of how the term is interpreted depends on the economic theory held by the person or organization offering the definition. To some authors, it is just a matter of cutting debt, while others say it's about completely eliminating debt *while also* planning for the future. Still others might argue that it's a matter of controlling the level of debt without completely reducing it. Perhaps the most basic definition of fiscal responsibility is the act of creating, optimizing and maintaining a balanced budget. But fiscal responsibility is beyond balancing the budget and includes elements of transparency and accountability, evidence led budgeting and guarantees of a rules led fiscal system.

Fiscal governance and fiscal transparency interplay with the contemporary politics and macroeconomic conditions in determining the fiscal outcome in each country. “The actual choice of instruments for financing the government activity, and more in general, its size and the balance of fiscal policy, are shaped by political actors**”**[2]. Government partisanship, as well as features of the political party system and of government institutions are deemed responsible for fiscal profligacy. Many scholars “identify the characteristics of governments and institutions that vary across national systems and that might affect the supply of fiscal responsibility and determine the actual design of the fiscal budgeting process”[3]. When fiscal transparency is lacking and fiscal governance is poor, this can be referred to as fiscal **irresponsibility** in governance and can lead to **fiscal anarchy**.

When a government is fiscally irresponsible, its ability to function effectively is severely limited. Emergent situations and disasters typically arise unexpectedly, even with the best planning, and a government needs to have quick access to reserve funds in order to mediate damages and send help when needed. A fiscally irresponsible government may not be able to sustain programmes designed to provide fast relief to her citizens, and depending on the extent of the budgetary problem, may not even be able to fund its own programmes in *ordinary* times. Not only does this cause problems internally, but it can also cause a lack of confidence on a global scale that can negatively impact everything from currency exchange rates to general economic stability.

2.2 Budgets and Budgeting in Nigeria

The budget system at the both the federal and state level of governance in Nigeria, just like most other budget systems, go through a number of generic stages, which may be categorized as follows: Policy Review, Strategic and Budget Planning; Budget

[2] See Ricciuti, (2002:2)
[3] See Leachman *et.al.* (2007)

Preparation; Budget Approval; Budget Execution (including accounting, reporting, audit and scrutiny); and Monitoring and Evaluation.

While budget implementation (execution) is mainly about the fourth stage from the above list, its proper evaluation must be in the context of the total framework of action. Thus, the success of the budget depends critically on the soundness of the overall policy framework, the relevance and focus of the strategy, and the seriousness, professionalism and realism of the budget preparation. The objectivity and thoroughness of the budget approval process, which authorises the budget for implementation, are critical to its effectiveness while proper accounting, monitoring and reporting make it possible to know and keep track of what has happened and is happening, and to be able to take appropriate measures, review past performance, control current performance and improve future plans and activities.

Budget implementation is a critical component of the Public Financial Management (PFM) system because it is the phase that determines the actual volume of government expenditure and ensures that there is a close match between cost and quantity and quality of public services. Budget execution is a critical issue in governance as the quality of budget execution largely determines the quantity and quality of government output of goods and services, as well as its impact on the welfare of the people and indeed on the performance of the economy as a whole.

Proper budget implementation enables the budget to perform its role as an effective planning and management tool for the realisation of government policies and programmes. It ensures that resources flow to programmes and projects that reflect policy choices. It requires and promotes fiscal discipline and reduces opportunities for corruption. Good budget execution also ensures that there is transparency, accountability, timeliness and credibility in government financial management.

2.3 Fiscal Responsibility Index Benchmark

Going through the above processes, it is believed that a good PFM system is an essential tool of government in the implementation of policy and achievement of developmental objectives. It should also be remembered that this index is for benchmarking different MDAs at a level of government which is different from what most of the reviewed fiscal indexes have done. Other fiscal indexes have benchmarked country/state against other countries/states. This reason limits the current index to the internal; MDAs level conformity to overall fiscal discipline hence excludes the general macroeconomic benchmarking variables and indicators that looks at the overall financial health of the country or state such as fiscal deficit as a percentage of GDP, tax revenue as percentage of GDP and total outstanding liabilities as percentage of GDP. Also, other provisions such as the Economic Community of West African States (ECOWAS) Convergence criteria, the recommendations of the IMF Article 4 and other international (multilateral and bilateral) fiscal obligations may be difficult to measure at the MDAs level. Such indicators can only have a single value for a country or state and not for an MDA.

The FRI therefore, supports the achievement of aggregate fiscal discipline, strategic allocation of funds, value for money, and probity in the use of public funds. This is justifiable because the need to impose financial discipline is at the core of Vision 20:2020 and the current administration Change Agenda. The FRI benchmark focuses on the operational performance of the PFM systems, and assesses it against critical objectives, which reflect the requirements of an open and orderly PFM system.

The benchmarking units are divided into five sections as shown below:

1) Policy based budgeting;
2) Budget comprehensiveness and transparency;
3) Budget credibility;
4) Budget implementation, monitoring and evaluation; and
5) Accounting, recording, reporting and external auditing.

The benchmark is based on budget credibility; budget comprehensiveness and transparency; policy based budgeting; budget implementation, monitoring and evaluation; Accounting, recording, and reporting, as well as external auditing at every stage of the budget process. This is expected to help in ascertaining if MDAs have good systems in terms of public financial management (PFM) and a comprehensive and transparent budget process. It is also noteworthy that the budget execution stage determines the actual volume of government expenditure and ensures that there is a close match between cost and quality of public services as well as consisting of several sub-stages such as authorisation, commitment, verification, payment authorisation, payment and accounting. Attention to this stage is justified on the ground that, it is an area that has posed serious challenge to Nigeria's polity just as most other developing countries all over the world over the years.

Using the assigned aggregate score for each of the benchmarks, selected MDAs were visited with the instrument. Information sourced from the MDAs and others from government published materials were used in scoring every MDA with average computed in relation to 100 per cent. The scores ranged from 0 – 100 points, where 100 is the highest level of fiscal responsibility and zero (0) denotes the absence of fiscal responsibility (otherwise highest level of fiscal indiscipline or fiscal irresponsibility).

2.4 Questionnaire Content and Structure of Responses

The questions as contained in the questionnaire were designed to support understanding of selected good practice benchmarks for fiscal transparency and accountability. It also applied a common methodology across MDAs to make possible comparisons between them. The results of these comparisons are intended to draw wide attention to the importance of fiscal responsibility as well as open and accountable government budgets across MDAs in Nigeria. They are based on principles regarding the budget process that are hinged on guidelines developed by several local, regional and organisations[4] with serious domestication effort reflecting the Nigerian system and practices as enshrined in the Nigerian Constitution and other relevant fiscal related laws and policies. Basic principles and best practices that were tested with the questions include: Policy-based Budgeting; Budget Comprehensiveness and Transparency; Budget Credibility; Budget implementation, predictability and control; as well as Accounting, recording, reporting and auditing.

[4] Such organisations include: International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), the International Budget Partnership and the International Organization for Supreme Audit Institutions.

The questionnaire were used to collect a comparative dataset for the above five (5) indices and guides researchers, in identifying and measuring the extent of compliance with fiscal responsibility stipulations.

The questionnaire contained a total of fifty five (55 questions) with ten (10) questions in each of the five indices with the exception of section D (budget implementation, monitoring and evaluation) which contained 15 questions. Also there is a sixth section strictly for the Ministry of Finance (treasury) with ten (10) questions on the specific role of the Ministry as assigned to her by the FRA. This implies that for all other MDAs, there are 55 questions but 65 questions for the Ministry of Finance (treasury). All questions are multiple-choice in nature.

Most of the questions required the researcher to choose among five (5) or four (4) or three (3) responses as the case may be. Responses “A” or to an extent “B” describe a situation or condition that represents good practice (international best practices) regarding the subject matter. The responses “C” or “D” or “E” for three (3), four (4) and five (5) response questions respectively correspond to practices that are considered poor. An “A” response no matter the number of response options indicates that a standard is fully met, while a “C” in the case of three options questions or “D” in the case of four (4) options questions or “E” in the case of five options questions indicate a standard is not met at all.

For the purposes of aggregating the responses, the numeric score of 100 percent was awarded for an “A” response, 67 percent for a “B”, 33 percent for a “C”, and zero (0) percent for a “D” in the case of four (4) options question; 100 percent was awarded for an “A” response, 50 percent for a “B”, and a zero (0) percent for “C” in the case of three (3) options questions while the numeric score of 100 percent was awarded for an “A” response, 75 percent for a “B”, 50 percent for a “C”, 25 percent for a “D” and zero (0) percent for an “E” response in the case of five (5) options question.

In the end of the exercise, a simple average for all scores from all responses were calculated using 55 as a denominator in the case of all other MDAs with the exception of the Ministry of Finance (treasury) where 65 was used instead. MDAs were also be compared for a particular index with ten (10) as the denominator except in section D where 15 should be the denominator. The final scores of every sub-index as well as the FRI score (final average score) were compared to two-third (66 percent) regarded as the minimum benchmark required from every MDA with the exception of the two sub-indexes (sub index for accounting, recording, reporting and external auditing as well as sub index for the role of Finance Ministry in MTEF preparation) whose minimum benchmark is pegged at four-fifth or 80 percent because of the high negative ripple effects the indexes will have on budget outcomes. The final average score of two-third or 66 percent known as the FRI benchmark for a fiscally responsible MDA is chosen because Nigeria is still a developing country. If FRI was used for a developed country “A” or 100 percent should have been the minimum benchmark for fiscal responsibility.

2.5 Fiscal Responsibility Index (FRI) Approach

The study was in two parts. The first part solicited information from the selected MDAs that are to be rated, while the second part of the study elicited information from credible reports and other desk sources. The study also solicited published documents on fiscal procedures for the country to see how observed procedures across MDAs differ from the regulations. The public, representatives of the various MDAs were notified in advance of the need to carry out this rating. The notification identified core issues to be rated. The instrument for the study was very specific, especially as it pertained to the various stages of budget making process and implementation. The advance notice in the form of letters were issued to Permanent Secretaries of the various MDAs while the public were notified through print and electronic media. In all, the benchmark is to ascertain how well the system for public financial management (PFM) is performing towards a comprehensive and transparent budget process.

2.6 Selected Federal MDAs

This first study using the Fiscal Responsibility Index (FRI) surveyed sixteen (16) federal ministries including:

1. Federal Ministry of Agriculture and Rural Development;
2. Federal Ministry of Aviation;
3. Federal Ministry of Education;
4. Federal Ministry of Environment;
5. Federal Ministry of Health;
6. Federal Ministry of Finance;
7. Federal Ministry of Lands, Housing and Urban Development;
8. Federal Ministry of Mines and Steel Development;
9. Federal Ministry of Power;
10. Federal Ministry of Transport;
11. Federal Ministry of Trade & Investment;
12. Federal Ministry of Science and Technology;
13. Federal Ministry of Water Resources;
14. Federal Ministry of Women Affairs;
15. Federal Ministry of Works; and
16. Federal Ministry of Youths Development;

SECTION THREE

FEDERAL MDAs BENCHMARKING RESULTS

3.1 Introduction to the Fiscal Responsibility Index Results

The FRI framework covers issues around performance including revenue, expenditure, procurement, and financial assets/liabilities for selected federal MDAs in Nigeria in all dimensions of public finance management. Essentially, it is about:

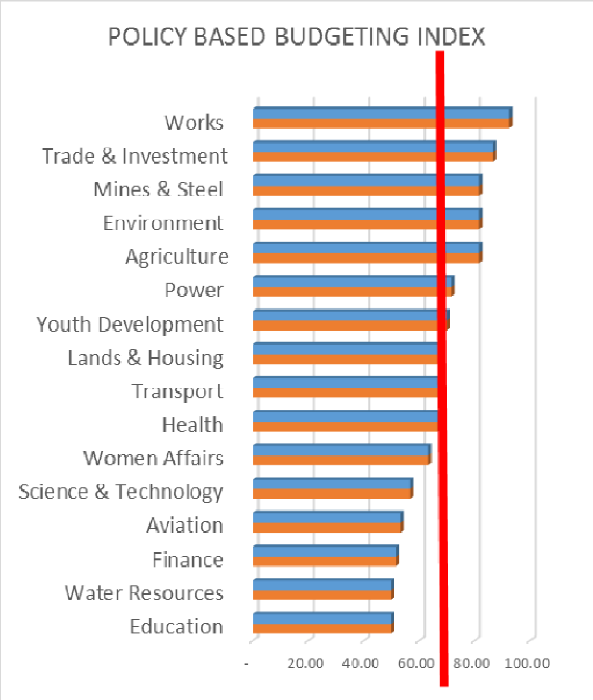
- Policy-based Budgeting;
- Budget Comprehensiveness and Transparency;
- Budget Credibility;
- Budget implementation, predictability and control;
- Accounting, recording, reporting and auditing; and
- Role of Finance Ministry in MTEF preparation.

3.2 Policy-Based Budgeting

Policy-based budgeting involves a precise identification of public policy objectives, the delineation of the means and resources (time, money and manpower) for accomplishing them, as well as an accurate assessment of individual department's accomplishments. It is important to note that budget cannot be done properly without making policy choices. Policy-based budgets help in improving comprehensiveness, as well as unifying the budget in terms of recurrent and capital investment. Policy-based budgets further provide clarity to the budget and make budgeting procedure more predictable as well as help the reporting capacities to feed into a rolling cycle. When this happens the budget becomes more readable and makes it easier during analysis and documentation.

In Nigeria, the budget is expected to fall in line with the provisions of the Constitution, the Vision 20:2020, the sectoral Medium Term Sector Strategies (MTSS), as well as other policy guiding the sector where the MDA is classified. Such alignment of polices with resources (time, money and manpower) leads to the achievement of public policy objectives. Evidence from policy based budgeting indicators as used in the FRI reveals that for the period 2011 to 2013, the Federal Ministry of Works, followed by Trade and Investment, Mines and Steel, Environment, Agriculture, Power, Youth Development, Lands and Housing, Transport, Health, Women Affairs, Science and Technology, Aviation, Finance, Water Resources and Education in that order applied policy based budgeting. While the Federal Ministry of Works scores 92.5 percent, Education Ministry at the Federal level scores 50 percent in the policy based budgeting index. Irrespective of the scores from various MDAs, only Youth Development, Power, Agriculture, Environment, Mines & Steel, Trade & Investment as well as Works scored above the minimum threshold (two third or 66 percent) required of every MDA as depicted in figure 3.1 below.

Figure 3.1: Policy Based Budgeting Index



Source: Authors

The result as presented in Figure 1 shows a weak link between budgets and policy in most of the selected MDAs. The issue of policy-based budgeting involves assessing sustainability including review of envelopes, costs and objectives, studying allocations and tradeoffs to enable gradual fiscal adjustment as well as favoring strong predictability which enables the monitoring of performance.

MDAs as well as governments at all levels continue to face unknown financial and political pressures as they struggle to develop meaningful and fiscally prudent budgets. If policy drives budgeting, it will help the country to objectively determine how to match available resources with community priorities as well as meaningfully engage citizens in the budgeting process.

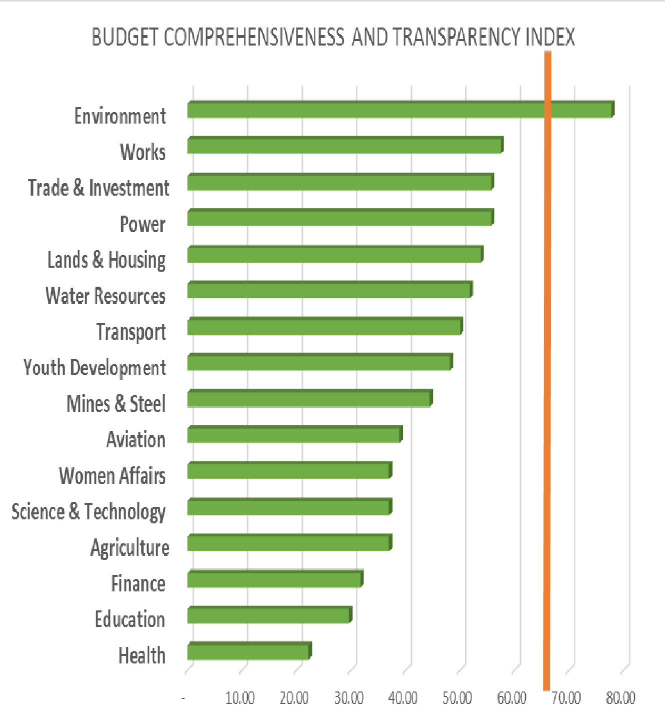
3.3 Budget Comprehensiveness and Transparency

Under this section, two different issues were looked at (comprehensiveness and transparency). While budget comprehensiveness has to do with orderly provision of public resources to public purposes and covering the field; budget transparency refers to the extent and ease with which citizens can access information on the budget and provide feedback to government on revenues, allocations, and expenditures. Comprehensive budgets are expected to increase accountability and transparency and enable policymakers' and public scrutiny over the spending of public funds.

Comprehensive and transparent budget provides the required details in simple terms. With such budget, it is easier for citizens to understand government priorities in terms of policies and programmes. Budget comprehensiveness and transparency while not a goal in itself, is a prerequisite for public participation and accountability. A budget that is not comprehensive or transparent, accessible, and accurate cannot be properly analyzed by the citizens and hence may affect the monitoring of its implementation and thorough evaluation of its outcomes. Budget comprehensiveness and transparency has to do with the full disclosure of all relevant fiscal information in a timely and systematic manner and in recent times has come to be seen as a pillar of good governance.

The basic reason why governments raise and spend public funds is to meet public needs. To do this effectively requires good policy choices that will be well executed with proper information at every stage. In other words, transparency seeks to make all information for analysis available and facilitates holding decision makers accountable for their decisions and actions. Evidence from comprehensiveness and transparency index shows that apart from Environment in the survey period, no other selected MDA crossed the benchmark score of two-thirds or 66 percent. See Figure 3.2 below for details.

Figure 3.2: Comprehensiveness and Transparency Index



Source: Authors

The other fifteen MDAs have scores below the benchmark for a comprehensive and transparent budgeting process. For a government to meet with the demand of her citizens - may be more likely to happen in budget system that is transparent, i.e. those in which the government provides the public with comprehensive, timely, accurate and useful information. As a growing evidence base shows, open budget systems can enhance the credibility of policy choices, increase the effectiveness of policy interventions, limit corrupt and wasteful spending and facilitate access to international financial markets. The result of this index corroborates the latest result of the country in the 2015 Open Budget Index (OBI) where Nigeria scores 24 out of 100 points.

3.4 Budget Credibility

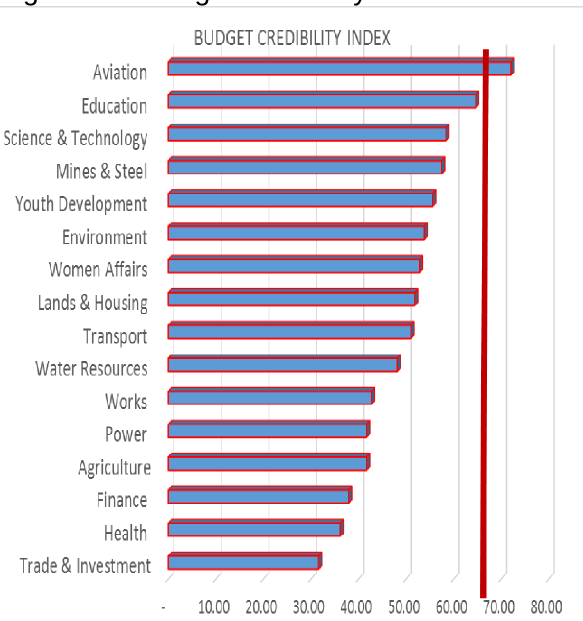
Though budget credibility remains an important aspect of the budget, it has been observed as a difficult area to study – particularly because of the lack of detailed data available for researchers. It has been observed over time in Nigeria that plans or policies approved by the legislature and the Federal Executive Council (FEC) bear little resemblance to the actual pattern of public financial activity that has taken place by the end of the budget period.

A study of the Federal Government of Nigeria (FGN) budget over the period 2004-2009 by the Fiscal Responsibility Commission (FRC) shows that on the capital expenditure side, for major MDAs in the period, the actual sectoral shares often differ significantly from the budgeted. On the average, the biggest gainers in implementation were Agriculture (budgeted 9.1% but actual 13.4%), the Presidency (3.6% budgeted but actual 4.6%), the Judiciary (2.0 budgeted but actual 2.4%), the National Assembly (1.0 budgeted but actual 2.4%), Niger Delta Development Commission (NDDC) (2.5% budgeted but actual 3.2%) and the Federal capital Territory (FCT) (7.0% budgeted but actual 7.7%). Heavy losers included Power and Steel (11.2% budgeted and actual 6.0%), Health (5.0% budgeted and actual 4.6%), Transport (2.2% budgeted and actual 1.4%), Science and Technology (1.5% budgeted and actual 1.1%), Internal Affairs (1.6% budgeted and actual 1.1%) and Federal Inland Revenue Service (0.9% budgeted and actual 0.3%). If the budget is a law and during implementation, such deviations are recorded even in the face of shortfalls in the expected revenue, it implies that some priority projects in some other sectors can no longer be implemented and hence the credibility of the budget is in question.

In recognition of these problems, budget credibility has been a key concern of public financial management (PFM) reforms pursued by Nigeria. Nigeria often supported by donors, have implemented a wide range of reforms aimed at improving the likelihood that budget outturn more closely matches plans. Donors in Nigeria have also supported the Public Expenditure and Financial Accountability (PEFA) framework, which contains similar indicators relevant to budget credibility.

It should be noted that budget credibility is a major contributor to building trust in accountable public institutions. The average Nigeria citizen has an interest in public spending choices and to keep the citizen on board, each of the important constituencies must be at least minimally satisfied with the budget and its outcomes. Not executing budgets as planned raises two challenges. Firstly, it makes the development of accountable public institutions more difficult: If the budget is not credible, it undermines any form of 'contract' between those who provide funds (taxpayers and donors) and those entrusted to administer them in accordance with the agreed plan (government). Secondly, if the budget is not credible, major functions (allocative efficiency, operational efficiency and fiscal discipline) will be compromised as it can't be used as a management tool for coordinating action to achieve government objectives.

Figure 3.3: Budget Credibility Index



Source: Authors

Evidence as shown in Figure 3.3, confirms that only one MDA (Aviation) has the score that is higher than the benchmark score (two-third or 66 percent) in the study period. Budget credibility has two important functions including: improving the operational efficiency of government by requiring consideration of trade-offs between priorities and allowing for the better coordination of dispersed actors; setting out what government will deliver in return for continued financial support[5]. Three major issues can drive the budget to lack-credibility. They include: inevitable lack of knowledge as to how the future will unfold (uncertainty); the inability of the head of the executive to fully control the subordinates (unruly agents); and the desire for the head of the executive to gain the support of external stakeholders by publishing a budget that he does not truly intend to undertake (signaling).

3.5 Budget Implementation, Monitoring and Evaluation

Budget implementation is a critical component of the Public Financial Management (PFM) system in Nigeria because it is the phase that determines the actual volume of government

[5] See Simson and Welham (2014) for details.

expenditure and ensures that there is a close match between cost and quantity and quality of public services. Budget execution is a critical issue in governance as the quality of budget execution largely determines the quantity and quality of government output of goods and services, as well as its impact on the welfare of the people and indeed on the performance of the economy as a whole.

Proper budget implementation enables the budget to perform its role as an effective planning and management tool for the realisation of government policies and programmes; in other words, the predictability role. It ensures that resources flow to programmes and projects that reflect policy choices. It requires and promotes fiscal discipline and reduces opportunities for corruption. Good budget execution also ensures that there is transparency, accountability, timeliness and credibility in government financial management.

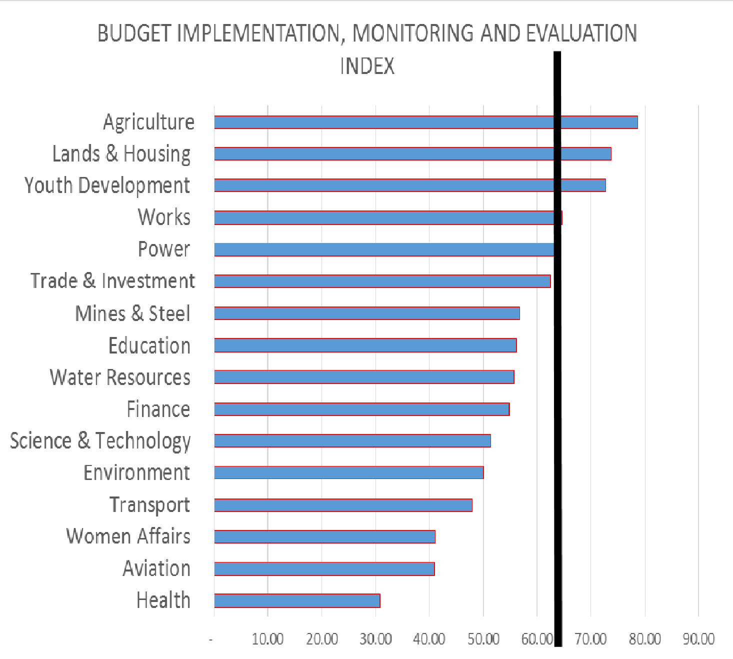
The basic elements of a typical budget implementation process in Nigeria are in line with the OECD practices in the following sequence of actions:

a. Budget appropriation;
b. Release of appropriation to spending MDAs;
c. Line ministries/spending agencies enter into contracts and other commitments, payment of wages, pensions, etc.;
d. Goods and services are delivered and verified;
e. Bills or invoices are received and payment orders prepared;
f. Payments are made via cash, cheques or electronic transfers depending on the volume of transaction;
g. Transaction is recorded in accounts; and
h. Accounts are audited.

Some scholars have identified that some of the problems affecting budget implementation may reflect a poorly formulated budget for example lack of credibility/realism as well as budget not driven by approved policy priorities. There is a strong link between budget comprehensiveness and budget implementation. A lack of comprehensiveness in budgeting may complicate implementation in terms of separate timetable and rules for capital budget, as well as extra-budgetary funds. In practice, fragmented institutional arrangements prevent this because different institutions may prepare the budget, release funds, monitor implementation and prepare budget execution reports - perhaps using different classification and reporting systems. This may not be the case in Nigeria during the study period because the Federal Ministry of Finance was in charge of budget preparation, funds releases, to a large extent budget implementation monitoring and preparation of budget execution reports.

Evidence from the survey in terms of budget implementation, monitoring and evaluation shows that apart from the Federal MDAs such as Agriculture, Lands & Housing and Youth Development for the period of the survey, other selected MDAs had scores below the minimum benchmark or threshold (two-third or 66 percent) as depicted in Figure 3.3 below.

Figure 3.4: Budget Implementation, Monitoring and Evaluation Index.



Source: Authors

Problems in budget implementation systems may sometimes reflect lack of incentives for good budget implementation, system wide and integrity challenges rather than lack of capacity. There is need for incentives for compliance or non-compliance to address institutional issues which are very crucial and not just the so called "technical" fixes.

It should also be noted that for budget implementation to move smoothly towards what is intended, budget credibility is key while predictability and timeliness in release of funds allows for orderly planning and implementation by spending MDAs.

Several challenges have been listed as militating against effective budget implementation. They include insufficient funding which is the outcome of inserting too many projects in the budget beyond the financial capacity of government; poor conceptualisation and design of technical projects; commencement of implementation of engineering projects with preliminary designs as against final designs and technical drawings; community issues relating to land acquisition; poor procurement planning and abuse of the procurement process; tardiness of some contractors and service providers, etc.

3.6 Accounting, Recording, Reporting and Auditing

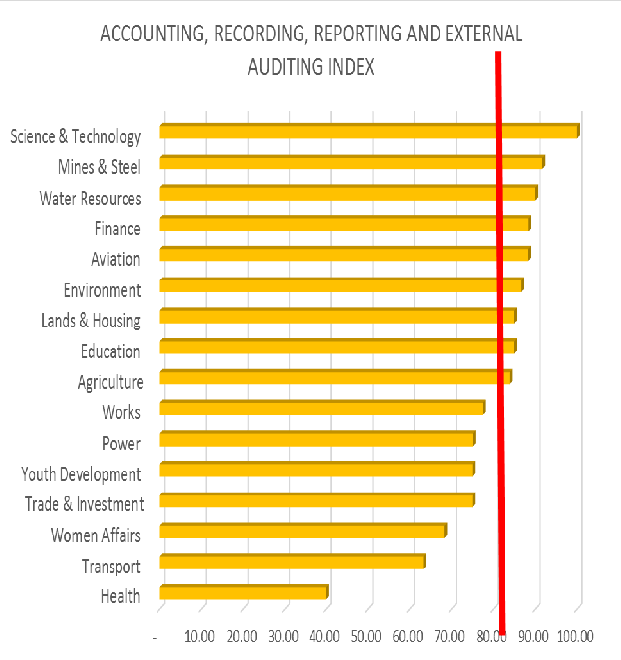
In Nigeria, cash transactions comprising of cash, cheque or transfers are recorded as complete in the books hence allows a reconciliation from the cash based on "above-the-line" fiscal accounts with the financing of any deficit "below the line." Some countries are currently moving towards accrual accounting, which is different from cash accounting. In contrast to cash-based accounting, which only recognizes expenditure when it is paid and income when it is received, accrual-based accounting requires that:

- Expenditure and liabilities are accounted for when goods and services are delivered, even if payments have not been made; and
- Revenue and receivables are recorded when goods are sold, even if proceeds have not been received.

The accounts may be held MDA by MDA as was the case before the introduction of Treasury Single Account (TSA) by the new administration in 2015. The accounts are usually audited at a later stage. For the full transparency and accountability required for and demanded from sound budget implementation, there must be timely production and dissemination of adequate budget management information. This is also required by all stakeholders in the budget process.

Public sector accounting in Nigeria include the process of recording, analysing, summarising, reporting, communicating, and interpreting of financial information in aggregate and in details, reflecting all transactions including the receipts, transfers and disbursement of government fund and property.

Figure 3.5: Accounitng, Recording, Reporting and External Auditing Index.



Source: Author's

Evidence from the survey shows that most MDAs including Science & Technology, Mines and Steel, Water Resources, Finance, Aviation, Environment, Lands and Housing, Education as well as Agriculture have scores above the index benchmark (four-fifth or 80 percent), while other MDAs have scores below the index benchmark for the period of the survey as shown in Figure 3.5.

It is a basic requirement that within the budget period, revenue and expenditure are properly organised, recorded and reported to internal and external audit institutions in conformity with the realization concept. It is also important that all the expenses incurred in earning revenue must be matched with the revenue of the period.

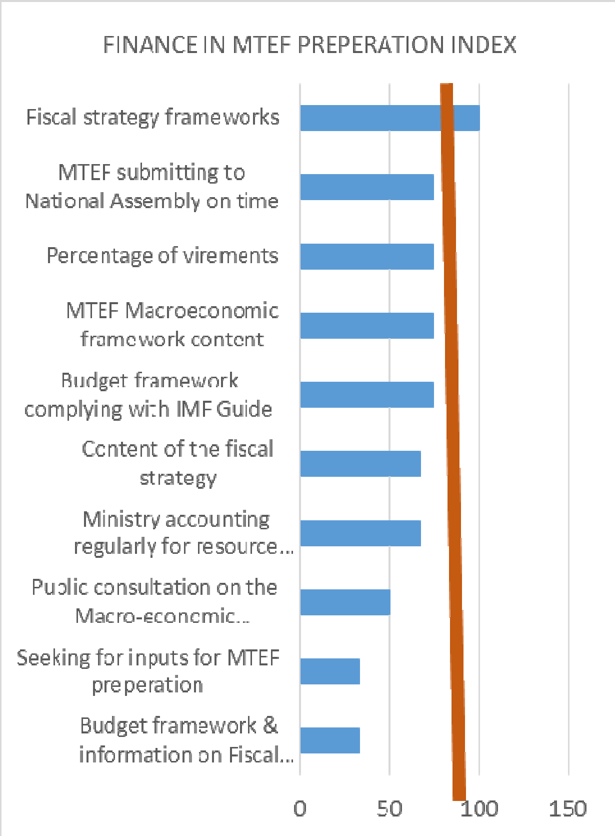
3.7 Role of the Ministry of Finance in MTEF Preparation

Fiscal Responsibility Act (2007) provides that the Minister of Finance shall be responsible for the preparation of the Medium-Term Expenditure Framework (MTEF). The FRA also assigns other duties to the Ministry(section 1-14]. As part of the assessment of how these assigned duties are performed, a set of indicators were identified.

Such indicators include: analysing if the budget framework for the period contains the necessary fiscal policy and resource revenue components; if the budget framework contain information on Fiscal Policy and Asset Management; if the Ministry accounts regularly for resource revenue; the time the Ministry submits the MTEF to the National Assembly for consideration; the content of the macroeconomic framework in the MTEF; the content of the fiscal strategy component of the MTEF; if the fiscal strategy paper contains an expenditure and revenue framework; evidence that the Ministry during the preparation of the MTEF sought inputs from the relevant agencies and bodies; evidence that the Minister of Finance during the preparation of the MTEF held public consultation on the Macro-economic Framework, the Fiscal Strategy Paper, the Revenue and Expenditure

Framework, the strategic, economic, social and developmental priorities of government; etc.

Figure 3.6: Finance in MTEF Preparation Index



Source: Author's

Evidence from the survey within the study period shows that of all these provisions, the Finance Ministry was able to perform two (fiscal strategy paper contains an expenditure and revenue framework as well as the MTEF submitted on time to the National Assembly for consideration) out of the ten (10) roles to a maximum point. The other roles were either half done or not done in line with the provisions within the study period.

This implies that other provisions of the FRA (2007) were not carried out to the letter as stipulated in the Act. Top of the provisions that were not carried to the letter include the budget framework not containing full information on Fiscal Policy and Asset Management as well as lack of evidence to show that the Minister of Finance during the preparation of the MTEF held public consultations.

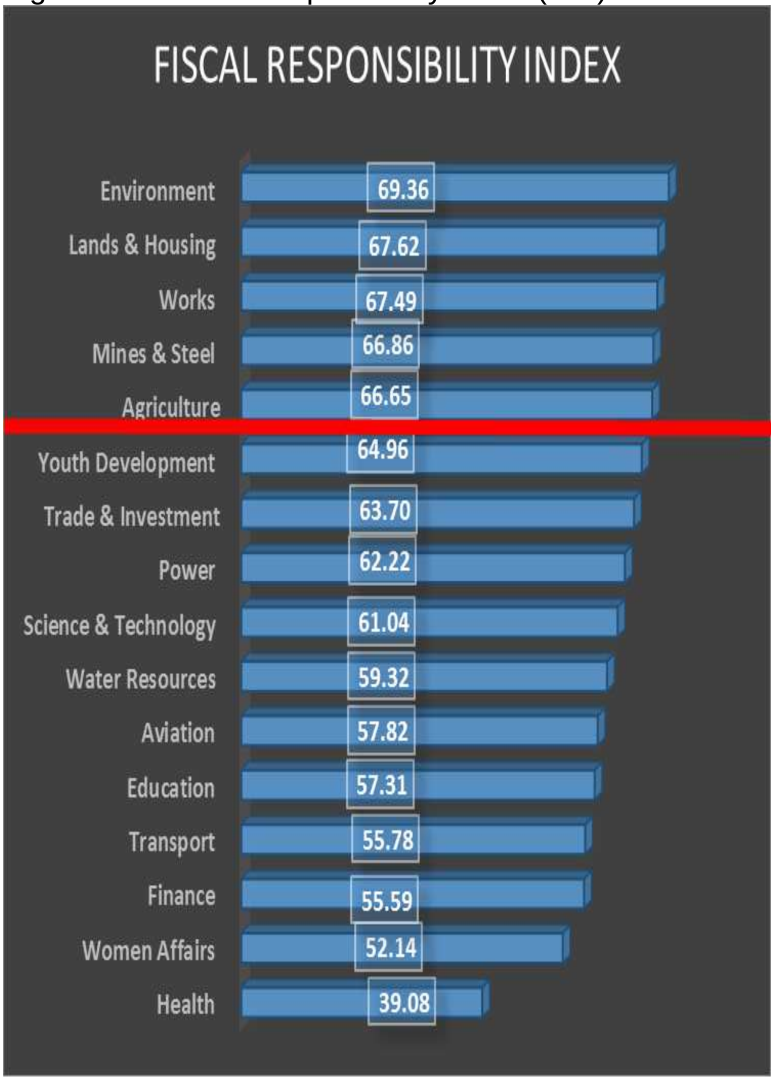
3.8 Fiscal Responsibility Index

In order to promote economic growth and sustainable development, an effective state should be able to mobilise revenue, borrow prudently, plan and manage the spending of public money in an effective and efficient way and to account for the use of funds and the results achieved. These are the tenets of a fiscally responsible government. Sound Public Finance Management (PFM), in other words, fiscal responsibility contributes to these outcomes through its elements of transparency, participation, responsiveness, oversight, accountability and predictability as enumerated in different sub-indexes of the FRI from 3.2 through 3.7 above. These are elements of Good Public Financial Governance (GPFG) widely regarded as prerequisite for a state's economic and social development.

Good public financial management means fiscal responsibility while when this is enthroned in a state, it leads to good governance with the presence of fiscal transparency, stability and long-term sustainability of budgets, effective and equitable system of inter-budgetary relationships, integrated budget and budget process, results-oriented budgeting including effective financial control, reporting and monitoring.

The benchmark summed and found the average of focal MDAs scores on policy based budgeting; budget comprehensiveness and transparency; budget credibility; budget implementation, predictability and control; accounting, recording, and reporting, as well as external auditing for the period 2011- 2013 to arrive at the final Fiscal Responsibility Index (FRI).

Figure 3.7: Fiscal Responsibility Index (FRI)



Source: Authors

The final scores were arranged in descending order of magnitude and reveals that Federal Ministry of Environment followed by Lands and Housing, Works, Mines & Steel and Agriculture are the only MDAs that crossed the two-third (66 percent) benchmark line for fiscal responsibility. Other eleven MDAs in the study have scores below the two-third benchmark for a fiscally responsibility MDA. While Environment have a score of 69.36 percent to top the list, Health scores 39.08 percent and the least for all selected or pilot MDAs.

The final scores of Fiscal Responsibility Index (FRI) show that there are still lots of work to be done at every MDA. None of the MDAs could make it to 70 percent or scores above. There is every need for improvement across the MDAs whether at the top or at the rear of the Index.

SECTION FOUR

POLICY IMPLICATIONS, RECOMMENDATIONS AND CONCLUSIONS

4.1 Policy Implications, Recommendations and Conclusions

Sound fiscal policy and its attendant fiscal responsibility can have important long-run effects on the health of the Nigerian economy through its desired impact on not only national saving but on the growth of productivity. If fiscal responsibility is enthroned in service delivery, productivity will be enhanced. Productivity growth is the principal source of improvement in economic well-being[6] but fiscal responsibility is the key to improved productivity. The faster productivity increases over time, the more rapidly living standards increase. Maintaining a rapid rate of growth in productivity is particularly important in the light of budgetary pressures associated with the continuous decrease in international oil prices and its attendant pressure on the country's external reserves and rise in external and domestic debts.

Enthroning fiscal responsibility by different MDAs at every level of governance in Nigeria will have a positive effect on the rising unemployment, improve social and economic infrastructure, reduce over dependence on products from hydrocarbons, as well as reposition the country for food sufficiency and food security. These cannot be achieved if the system lacks accountability and transparency at all facets of governance.

A more productive Nigeria will reduce the call for several social security programmes and this can be achieved if fiscal targets are met by adhering to the provisions of the different fiscal laws and policies (fiscal responsibility). In contrast, if Nigeria allows fiscal irresponsibility, it will limit her ability to function effectively as a nation. A fiscally irresponsible Nigeria may not be able to implement and sustain programmes (service delivery and growth oriented) designed to promote overall development and may not even be able to fund its own consumption in *ordinary* times. Based on the linkage between fiscal responsibility and its impact on the Nigerian economy and the productivity of workers, the study recommends as follows:

- Fiscal responsibility should be improved across all MDAs in raising and spending public money on identified and approved national priorities. It should also be mainstreamed in monitoring and evaluation;

- MDAs are required to place emphasis on how to manage the country's resources, obligations and fiscal risks in a manner that ensures the sustainability of the fiscal position in the short, medium and long terms by adhering to the provisions of fiscal laws and policies both in theory and in practice. This is the only way the country can boost her productivity (output per capita) and standard of living;

- The Fiscal Responsibility Commission (FRC) is charged with the need to ensure good fiscal governance across the MDAs through the provisions of the FRA (2007).

[6] See Gramlich (2004)

The findings of the current survey may be very crucial to their functions for better application of good fiscal principles; and

- Every MDA should study the detailed completed survey instruments with analysis and scoring template to understand where she needs to improve in terms of documentation and practice to ensure better service delivery and compliance to provisions of the Fiscal Responsibility Act as well as other fiscal related laws and policies of the Government of Nigeria.

Every MDA should note that good governance requires good institutions with sets of rules governing the actions of individuals and organisations. It also requires a high degree of transparency and accountability in public and corporate processes.

4.2 Conclusions

As the first-ever benchmarking and comparative assessment of fiscal responsibility across MDAs, FRI has raised a lot of issues on the structure and efficacy of fiscal responsibility research and advocacy in Nigeria. FRI is a first step into peer review, experience sharing at the MDA level and healthy competition for better PFM. The competition is essential to nurture fiscal responsibility that can help the country achieve her set out goals. The buy-in already elicited from different MDAs, CSOs and international partners assures its ownership and sustainability. FRI is underpinned by good home grown methodology, strong government-private sector partnership and guaranteed use of its results by key stakeholders at all levels. Hence, FRI is well-positioned to foster evidence-based PFM reforms across the MDAs at the federal level in Nigeria and this can be extend to other tiers of governance.

Effective implementation of the budget and adherence to the fiscal laws and policies can be ascertained if there are independent reviews and assessments from the public using relevant indexes and/or indicators. The FRI findings are geared towards strengthening independent and external oversight of public finances which has become a defining challenge for Nigeria in her quest to foster fiscal responsibility and curb corruption. The continuous call for increasing budget transparency, effective participation and financial accountability is extremely relevant in order to safeguard the integrity and improve the efficacy of public spending, so that public resources can be more effectively deployed to promote development and reduce poverty and inequality. This is also crucial to boost the effectiveness of resource usage and ensure that these resources are used for the purpose intended and satisfy the concerns of the citizens.

Fiscal responsibility is an indispensable tool in creating a better, stronger and wealthier nation for the future generation. Facing up to both the short and long-term fiscal challenges will help put the country on a path to lasting prosperity and positively affect the standard of living. If, on the other hand, the county fails to quickly address the growing inadequacies and fiscal challenges, it faces a bleak future. Fiscal responsibility holds the key to a sustainable future.

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