8. Nigeria

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I. Introduction and background

In 1999, elections in Nigeria produced a civilian administration, raising new hopes after 15 years of military dictatorship. The new government announced programmes to reform the military, pursue economic recovery, fight corruption and mismanagement, and institutionalize democracy. Six years on, a critical citizenry is asking what real changes have taken place as violent inter-ethnic rivalries, a weak economy and a poor social base still pose profound challenges to national security. Added to these are Nigeria's international responsibilities, regional image and territorial controversies. These factors have defined the concept of national security and the organization of state and national defence.

This chapter examines the process of budgeting for the Nigerian Armed Forces against this background. This section continues with an overview of the country's history, politics and economy while section II describes the Nigerian military sector. Section III discusses the formal national budgetary process and presents a critique of the process. The military budgetary process and its weaknesses are examined in sections IV and V. Section VI presents the conclusions and recommendations.

History, politics and economy

The West African state of Nigeria was built up by the gradual, expansionist colonialism of the United Kingdom, starting with the colony of Lagos in 1861. By 1914 the various protectorates and colonies had merged to form a unified Nigeria, but administration remained largely decentralized. At independence in 1960 Nigeria inherited a federal structure that continues to exist today, albeit in greatly changed form. There are over 350 ethnic groups in Nigeria, the three largest of which represent about 71 per cent of the population. Colonial policies that aggravated divisions meant that at independence it was obvious that ethnic rivalry was going to hinder nation building.[1] The greatest crisis that Nigerian unity has had to face is the attempted secession in 1967 of the Eastern Region. The consequent civil war of 1967–70, also known as the Biafran War, resulted in more than 1 million deaths.[2] Divisions still persist along several lines:

[1] Coleman, J. S., *Nigeria: Background to Nationalism* (University of California Press: Berkeley, Calif., 1971).

[2] See, e.g., Akpan, N. U., *The Struggle for Secession, 1967–1970* (Frank Cass: London, 1972).

religion, North versus South and ethnicity. The ethnic basis of many political parties means that contests for political power are often inter-ethnic contests.

Between independence in 1960 and the end of military rule in 1999, the military ruled Nigeria for a total of 29 years, compared with only 9 years of civilian democracy. Presidential elections were held in February 1999, following the death in 1998 of the military dictator General Sani Abacha. The winner was Olusegun Obasanjo, a retired general who himself had led a military regime in the 1970s. President Obasanjo was re-elected in April 2003, defeating yet another former military ruler.

According to the 1999 constitution, the President is head of government as well as head of state.[3] The President appoints ministers and heads the Federal Executive Council, which consists of the President, the ministers and the 36 state governors. The legislature, the National Assembly, consists of the House of Representatives, with 360 elected constituency members, and the Senate, with 109 members elected to represent the federal states.

Nigeria's economy is dominated by the oil industry, which provides 95 per cent of export revenue, more than three-quarters of government revenue and about a third of gross domestic product.[4] In spite of its oil wealth, Nigeria remains a poor country, but its human and natural resources mean that it has the potential for great prosperity.

The factors of population, size and potential wealth have generally defined Nigeria's national self-image. Successive Nigerian governments have maintained the idea that Nigeria is destined to play a leadership role in Africa and in championing the cause of the African people. This image has shaped Nigeria's external policy since independence. At the same time, Nigeria has had to contend with territorial disputes with its immediate neighbours. Political instability and economic weakness in these neighbouring states are also of concern to Nigeria. However, the greater challenge to Nigeria's security is internal.

II. The military sector

The character and orientation of the Nigerian military reflect its colonial background. The colonial army, which was transformed into the Nigerian Army at independence, was created for use in the wars of conquest and pacification of Nigerian peoples and the entrenchment of foreign rule, including the collection of taxes and policing functions. The public image of the military is as an instrument of enforcement and control. In the environment of internal divisions, which have always limited governmental legitimacy, the military sees itself as the single institution upon which the unity and cohesion of the country depends. Military officers have justified coups and the takeover of government as being necessary to prevent the fragmentation of the fragile nation. In government,

[3] Constitution of the Federal Republic of Nigeria 1999, promulgated by Decree no. 24 of 1999, Abuja, 5 May 1999, available at URL <http://www.nigeria-law.org/>.

[4] World Bank, 'Nigeria: country brief', Sep. 2004, URL <http://www.worldbank.org/ng/>.

Table 8.1. Military expenditure of Nigeria, 1990–2004
Figures in US$ are in constant 2003 prices and exchange rates.

	Military expenditure		
Year	$ m.	m. naira	as a % of GDP
1990	324	2 229	*0.9*
1991	310	2 415	*0.7*
1992	267	3 004	*0.5*
1993	361	6 382	*0.9*
1994	253	7 032	*0.8*
1995	292	14 000	*0.7*
1996	247	15 350	*0.5*
1997	267	17 920	*0.6*
1998	340	25 162	*0.9*
1999	585	45 400	*1.4*
2000	422	37 490	*0.8*
2001	632	63 472	*1.1*
2002	573	64 908	*1.1*
2003	595	76 890	*1.2*
2004	518	76 100	. .

GDP = Gross domestic product.

Source: SIPRI military expenditure database.

however, the military has proved to be less immune to the vagaries of national politics.

Over the years the missions and roles of the armed forces have reflected the security concerns of the nation and the perceived responsibilities of the country to the continent. The core role of Nigeria's armed forces has remained the defence of the sovereignty and territorial integrity of the nation and of its interests and values. At various times the armed forces have provided support and reinforcement to immigration policy, the customs departments and the Nigerian Police; they have provided 'economic defence' (to protect oil installations); and they have participated in disaster management and humanitarian relief operations. The mission statements of the armed forces have shown a consciousness of the domestic and external security challenges to the nation. However, the extent and application of Nigeria's defence policies have been the subject of critical domestic debate. Analysts have argued, for instance, that the country's national defence objectives are over-ambitious and unrealistic in the light of the resources required for their achievement.[5] The nexus between effective, concise

[5] Vogt, M. A., 'Nigeria's defence policy: an overview', eds A. E. Ekoko and M. A. Vogt, *Nigerian Defence Policy: Issues and Problems* (Malthouse: Lagos, 1990), p. 102; and Adejo, A., 'The question of Nigeria's defence policy: a critical assessment', *African Journal of International Affairs and Development*, vol. 4, no. 1 (1999), p. 38.

policy and the material resources needed to achieve the set policy goals is conspicuously absent in the Nigerian case.[6]

The Nigerian Armed Forces consist of the army, the navy and the air force. The Nigerian Army is the biggest of the three services[7] and is organized in five divisions: two mechanized, two motorized and one armoured. The Nigerian Navy has three commands: the Western and Eastern commands and the Naval Training Command. The Nigerian Air Force is organized in three commands: Tactical Air Command, Training Command and Logistics Command. In addition to each service's headquarters, there is a joint Defence Headquarters, headed by the Chief of Defence Staff. The size of the military grew astronomically during the civil war, from about 10 000 in 1967 to over 250 000 in January 1970.[8] Personnel costs continue to account for approximately three-quarters of recurrent military expenditure.[9] Table 8.1 presents military expenditure in Nigeria since 1990.

The political leadership of the Nigerian military is provided by the Ministry of Defence (MOD), led by the Minister of Defence. The minister has generally been a military officer; however, in 2003 the retired military officer who had held the post since 1999 was succeeded by a civilian. The ministry is headed by a Permanent Secretary. This post has always been held by a civil servant, who reports to the minister.[10] The Permanent Secretary heads the civilian employees of the ministry and acts as the chief accounting officer. The Chief of Defence Staff is responsible for the armed forces and is the chief military adviser to the President as commander-in-chief.

The MOD's major function is the formulation and execution of the national defence policy and the planning of military expenditure. The ministry provides administrative and support services for the training, equipping and combat readiness of the armed forces, allowing them to perform their missions and functions, both actual and potential.[11] The National Assembly exercises oversight of the Nigerian military through its broad powers to regulate the establishment and composition of the armed forces granted by the constitution.[12] In

[6] Vogt (note 5).

[7] There are conflicting figures on the strength of the Nigerian armed forces. This issue is discussed below.

[8] Wushishi, M. I., 'The Nigerian Army: growth and development of combat readiness', ed. T. A. Imobighe, *Nigerian Defence and Security: Issues and Options for Policy* (Macmillan Nigeria: Lagos, 1987), p. 54.

[9] Omitoogun, W., *Military Expenditure Data in Africa: A Survey of Cameroon, Ethiopia, Ghana, Kenya, Nigeria and Uganda*, SIPRI Research Report no. 17 (Oxford University Press: Oxford, 2003), p. 90.

[10] In the 1970s permanent secretaries were the most senior civil servants of their ministries. The so-called 'super Perm-Secs' were permanent secretaries with the highest political connections and had the ear of the head of state. Some of them were more powerful than their ministers and were even members of the ruling military councils.

[11] Danjuma, T. Y. (Gen.), Minister of Defence, 'Mission statement of the Ministry of Defence', Ministry of Defence, Abuja, 1999, URL <http://www.nopa.net/Defence/messages/1.shtml>. See also Federal Government of Nigeria, 'National Defence Policy' (draft), Lagos, 2001.

[12] Constitution of the Federal Republic of Nigeria 1999 (note 3), Sections 4(2), 5(5), 217(1) and (2), 218 and 219.

addition, the National Assembly exercises control over all defence matters, including internal security matters and declarations of war.

III. The national budgetary process

The budgetary process in Nigeria has evolved alongside the vicissitudes of national politics, especially the progressive militarization of Nigerian politics and society since independence. In 1966 Nigeria's first military regime, under Major General Johnson Aguiyi-Ironsi, abolished the federal system, ostensibly to counter the effect of ethnic divisions on national politics. By this move to unitary government, Aguiyi-Ironsi effectively undermined the formal structures of national government that had been established prior to independence, destroyed regional structures and introduced a centralization for which there was neither precedent practice nor, indeed, structure and personnel. A new order for government business, including budgeting, had to be created, but it was never formalized, creating confusion for public servants. The impracticality of this new system, among other factors, led to the collapse of the government later in 1966. However, Aguiyi-Ironsi's regime laid the basis for the style of government of future military regimes and initiated the expansion of the Nigerian military in terms of size, prestige and indulgences. The pace was speeded by the civil war of 1967–70.

Left without a formal framework, the bureaucrat's role was transformed from implementation of government policy to policy improvisation. Budgeting, like all aspects of governance under the military, was driven by the personality of each succeeding head of state rather than by any established institutional mechanism. No sustained effort was made by any of the military governments to systematically formulate a process, except for a short-lived attempt by the regimes of Murtala Mohammed and Obasanjo between 1975 and 1979. In effect, the general budgetary process has not significantly changed since 1960, but each government, especially military regimes, merely used the process when it suited it. The implications of non-adherence to due budgetary processes are obvious in Nigeria's highly corrupt public sector.

The formal process

The formal budgetary process in Nigeria consists of four broadly defined phases: formulation, approval, implementation, and auditing and reporting. These formal phases are described below, along with the de facto process.

The formulation phase

The process of budgeting in Nigeria begins with the determination of the macroeconomic framework in which expenditure estimates for the following financial year (which coincides with the calendar year) are formulated by the

Federal Ministry of Finance (FMF), the National Planning Commission (NPC) and the Central Bank of Nigeria. This usually takes place in or around March each year. Simultaneously, the Nigerian National Petroleum Corporation, the Office of the Accountant-General for the Federation (OAcGF) and the Federal Inland Revenue Service draw up revenue estimates.

The second stage involves the invitation of budget officers in the various ministries to seminars organized by the federal government's Budget Office. These seminars cover the budget guidelines and describe how the ministries should make proposals.

The third stage involves the issuance of what is known as the Budget Call Circular (BCC) by the Budget Office to ministries and agencies.[13] This document requests estimates of expenditure and revenue for the year within the set framework and guidelines. In practice, the BCC is central to the budgetary process and is considered by many to mark the beginning of the annual budget preparation. The BCC is usually issued in July but sometimes later. As recently as 2003 it was issued in November.[14]

The BCC stipulates the guidelines for the submission of programme proposals by ministries and extra-ministerial departments and agencies. The guidelines are based on the government's economic programme. The macroeconomic framework is usually determined by a joint pre-budget review by the Budget Office and the NPC. The framework attempts to make an accurate aggregation of revenue projections, the government's economic policy, developmental targets, and sectoral capital and recurrent spending proposals for that financial year. In other words, the BCC represents an annual programme in a wider framework of economic planning.

Each year the FMF sets budget ceilings for ministries. Annex 1 of the BCC stipulates that the Budget Office must complete a 'ceiling to expenditure projections' form before the BCC is dispatched to any ministry or agency. Whether this happens regularly is unclear. However, ministries and agencies generally have an understanding of a spending limit, whether the FMF specifies such ceilings or not. This understanding is derived from the involvement of the ministries in the formulation of economic policy through the NPC. In addition, the planning board of each ministry or agency is expected to be knowledgeable about the macroeconomic developments and the revenue profiles of the federal government. Since each year's capital budget is extracted from the National Rolling Plan (described below), ministries have a clear understanding of the ceilings that apply to such spending.

Upon receiving the BCC, the Permanent Secretary of each ministry, in consultation with the Director of Finance and Supplies and the Director of Research, Planning and Statistics, is expected to constitute a Budget Commit-

[13] See, e.g., Okonjo-Tweala, N., Minister of Finance, 'Call circular for the 2005 federal budget', Budget Office, Abuja, 10 Aug. 2004, URL <http://www.budgetoffice.gov.ng/bcc.html>.

[14] Federal Government of Nigeria, 'Federal Government of Nigeria 2004 budget preparation and submission call circular', Budget Office, Lagos, 17 Nov. 2003, URL <http://www.budgetoffice.gov.ng/bcc.html>.

tee, comprising the Deputy Director of the Budget Division and one deputy director from each of the departments in the ministry. This committee prepares the ministry's budget estimates, which are then forwarded to the ministry's Committee of Directors, headed by the Permanent Secretary, for consideration and adoption. The minister gives the final approval within the ministry. Copies of the approved draft estimates are thereafter forwarded to the Budget Office.

The Budget Office then invites the ministries to defend their budget estimates in line with the government's policy and the approved ceiling. The estimates arrived at after these discussions are forwarded to the Cabinet Budget Committee in the Presidency (the President's office) and the Federal Executive Council for discussion, adoption and transmission to the National Assembly for approval.

The National Rolling Plan

An important aspect of the formulation stage of the national budgetary process is the role played by the National Rolling Plan in the allocation of resources to capital projects. The rolling plan is Nigeria's equivalent of the medium-term expenditure framework, with which it shares basic characteristics.[15] After independence in 1960, national economic planning was based on the National Development Plans, a five-year medium-term planning system. In 1990 these were replaced by the National Rolling Plan. The rolling plan offers the advantage of a longer-term strategy, with annual reviews. It avoids the abrupt cessation of each five-year plan in a politically unstable environment and, being more flexible, allows for more participation by the private sector.

The first year of the three-year rolling plan always coincides with the annual capital budget when resources are allocated to projects and programmes. This allows for annual reviews of economic plans in the light of changing economic realities. The rolling plan was expected to help stabilize planning for capital projects spanning several years so that their cost could be spread over a number of annual budgets. The National Rolling Plan is more comprehensive and forward-looking than the annual budgets, especially in relation to the full project cycle (including construction and maintenance) and new capital projects. It represents a conceptual framework for national planning that extends beyond the annual operational and governmental budgets.

However, financial allocations are made to projects only through the annual budgets. The allocations for other years within the rolling plan are mere projections that ease planning and ensure resource availability. Since 2001 any capital project that is to be included in the annual budget must have been included in the rolling plan.

[15] Personnel of the Federal Ministry of Finance, Interview with the authors, Abuja, June 2002. Nigeria formally adopted the Medium-Term Expenditure Framework in June 2004, when a 3-year (2005–2007) medium-term budget framework was announced by the Minister of Finance. 'Govt plans three-year budget', *The Guardian* (Lagos), 12 Aug. 2004.

The institutional framework for the National Rolling Plan is coordinated by the National Planning Commission and involves the FMF, the Budget Office, many government departments and the National Assembly. The FMF controls the first year of the rolling plan since it also constitutes the annual budget. The general form of each subsequent annual budget is determined by the rolling plan. In turn, the rolling plan is defined by the economic environment and the government's economic policies. The government's economic policy includes a statement of the guiding principles of the policy, the type of economy envisaged, the objectives of the policy, the instruments for achieving those objectives and the annual targets to be met.[16] The key parts of the economic policy are aggregated by the Budget Office and are used to form the budgetary framework from which the Budget Call Circular is prepared.

The approval phase

During the military era, it was simply the ruling military councils, usually made up of the leading military officers, that approved the budget. In the current democratic dispensation, the draft budget estimates are sent to the National Assembly as the Appropriation Bill to begin the process of approval by both houses. The National Assembly can make modifications to the bill before passing it into law.[17]

The budget is distributed to various committees of the Senate and House of Representatives for detailed discussion. The committees often invite ministries and agencies to explain their estimates. The recommendations of the committees are then sent to the Finance and Appropriation Committee of each house for collation. The two committees meet several times to reconcile any differences that may exist. They may also conduct their own public hearings. A final reading of the bill takes place in each house of the National Assembly, after which the bill is passed and becomes the Appropriation Act once the President has signed it. If the President refuses to sign the bill as approved, a two-thirds majority vote in each house can pass the bill directly into law.

No timetable for the approval process is specified in the constitution. However, the National Assembly has requested that the executive submit the draft budget estimates no later than three months before the financial year begins.[18]

The implementation phase

Once the budget has been approved by the National Assembly the process of implementation begins with the Minister of Finance issuing the appropriate

[16] National Planning Commission, 'The rolling plan and its relationship to the budget', Paper presented at the Workshop on Budget Preparation for Officers of Federal Ministries and Parastatals, Abuja, 10–11 Sep. 1997.

[17] Constitution of the Federal Republic of Nigeria 1999 (note 3), Sections 80 and 81. See also Agbese, P., 'Legislative oversights: principles, mechanism and rationales', Paper presented at the International Conference on Legislative Oversight of the Nigerian Military, Abuja, June 2002.

[18] Nigerian Senate, Appropriation Act 2002, National Assembly, Abuja, Mar. 2002.

quarterly warrant to the Accountant-General for the Federation to release funds to the Treasury in line with the approved estimates. The funds are then made available to each ministry or agency on request by the responsible officer, usually the minister or the Permanent Secretary.

If there is an urgent need, funds may be released early to a line ministry or agency through a special request to the Minister of Finance by the accounting officer of the ministry (usually the Permanent Secretary). Such an advance payment is charged against the ministry's or agency's next quarterly allocation.

The auditing and reporting phase

Auditing actually begins during the implementation stage, during which the accounting officers in the ministries are expected to monitor expenditure and make monthly returns to the OAcGF detailing how their ministry's allocations were spent. External bodies are also empowered to monitor the budget to ensure accountability and proper feedback in the system. These bodies include the National Assembly;[19] the National Planning Commission, which reviews the effectiveness of capital projects on a quarterly basis in association with the Planning, Research and Statistics departments of the various ministries;[20] the National Economic Intelligence Commission, which enforces the implementation of tax regulations and considers other issues concerning revenue collection;[21] and the Office of the Auditor-General for the Federation (OAuGF), which is responsible for enquiring into and reporting on public expenditure and which submits its reports directly to the Public Accounts Committees of the National Assembly.[22]

The Auditor-General for the Federation is independent and has a secured tenure guaranteed by the constitution. However, the laws relating to the audit of public accounts are outdated, being based on the 1958 Audit Act. While sections of the 1999 constitution touch on the audit of public accounts,[23] these are of a general nature and application. The lack of an updated audit act prevents the proper functioning of the Auditor-General.

The de facto process

What is described above is the formal process, as established by the constitution and other legal frameworks, which allows for checks and balances and the efficient use of resources. The de facto process, however, is very different. Until the institution of the current democratic dispensation in 1999, no seriousness was attached to pursuing due process in budget formulation and implemen-

[19] Constitution of the Federal Republic of Nigeria 1999 (note 3), Section 88.

[20] National Planning Commission Decree, Decree no. 71 of 1993, 23 Aug. 1993.

[21] National Economic Intelligence Committee (Establishment, etc.) Decree, Decree no. 17 of 1994, 15 Feb. 1994.

[22] Constitution of the Federal Republic of Nigeria 1999 (note 3), Section 85.

[23] Constitution of the Federal Republic of Nigeria 1999 (note 3), Sections 85–87.

tation. While military regimes were renowned for paying little regard to due process in state administration in Nigeria, until 1985 they acted with some sense of modesty. From 1985 until 1999 the process of budgeting seems to have been completely abandoned and funds were allocated with little regard for need.[24]

Although the new, democratic government of President Obasanjo is trying to revive due process in budget making, the rampant corruption common in the past military regimes is still evident in the budget process. In 2001, on the eve of the second anniversary of the present administration, the President asked the various ministries and extra-ministerial departments to provide a list of the projects promised since 1999 and a list of those projects that had been executed. Few had anything to show. In addition, over 70 billion naira (*c*. $600 million) that had been allocated to federal ministries and agencies were found to be held in bank accounts whose interest would eventually go into private pockets.[25] In order to discover this, the government had to employ the services of private audit firms, bypassing its own agencies, including the OAuGF, the OAcGF and the NPC. The implication of the approach is that the government has little faith in its own agencies and that those agencies are themselves in need of reform to perform their tasks in the budget process. Political influences also continue to impinge on the budgetary oversight functions of the National Assembly. There are allegations that parliamentary committee members demand bribes from ministries before approving budget estimates.[26]

The Obasanjo Government is demonstrably committed to restoring order in government business, including budgeting. As a first step, the Budget Office was separated from the FMF and made directly answerable to the President. In early 2000 the government established a Budget Review Committee, headed by Professor Dotun Philips, to examine among other things the budgetary processes of ministries and agencies from conceptualization and formulation to implementation, with a view to identifying bottlenecks and structures and practices that militate against transparent and realistic budgeting, especially on capital projects. As a result of the report of the committee and of a study conducted for the government by the World Bank,[27] a new procurement policy,

[24] Ukwu, I. U., 'Public expenditure and financial accountability in Nigeria: an overview', Paper presented at the Training Workshop organized by the Federal Ministry of Finance in collaboration with the World Bank, Kaduna, 24–26 Apr. 2002.

[25] 'Bogus budget figures', *The Guardian* (Lagos), 26 June 2001; and 'Report indicts ministries, agencies over budget claims', *The Guardian* (Lagos), 23 June 2001. Another investigation by the Public Accounts Committee of the House of Representatives in 2004 found the same level of corruption in the ministries. 'Ministries, parastatals stink, says Reps panel', *The Guardian* (Lagos), 22 June 2004.

[26] 'Na'abba refutes Mbang bribery charge on impeachment bid', *The Guardian* (Lagos), 2 Sep. 2002, p. 1. In Mar. 2005 the President of the Senate and some members of the National Assembly's Education Committee were accused of demanding and receiving a bribe of over $400 000 from the Minister of Education in return for favourable consideration of his ministry's budget estimates during budget defence. The Senate President was forced to resign after the allegations were announced by President Obasanjo in a special national television broadcast.

[27] Federal Government of Nigeria, 'Strengthening the federal budget system in year 2000 and beyond', Report of the Budget Review Committee, Lagos, Mar. 2000.

called the 'due process', was introduced in 2001.[28] In addition, a new Budget Monitoring and Price Intelligence Unit was created in the Presidency to monitor the budgetary process, especially the implementation and supervision of capital budgets and projects. Similarly, budget control departments were re-established in each of the ministries to monitor the budgetary process.

A major feature of the budgetary process during the military era that is being tackled by the current government is the lack of proper coordination between the two main government agencies in charge of the budgetary process, the Federal Ministry of Finance and the National Planning Commission. The functions of the FMF and the NPC overlap in several ways, and until recently they issued different Budget Call Circulars. Within the ministries, too, evidence of lack of coordination still persists. There is no agreement on the effective date for the commencement of the annual budgetary process. The different actors become involved in the process at different times, and there does not seem to be any regularity in the dates of such participation. In the Budget Office the annual budgetary process begins in January. The BCCs are generally issued in July.[29] In the Ministry of Defence, the staff consider August to mark the start of budget preparation;[30] however, there is a statutory requirement that budget preparation must start six months before the commencement of the budget, that is, in July.[31] The ministries' responses to the BCC are expected to reach the Budget Office three months before the budget's commencement, but rarely do. The irregularity in the process is reflected in the late arrival of annual budgets. The 1999 budget was not approved and operational until August of that year. The 2002 budget was a matter of lengthy controversy between the President and the National Assembly before it was eventually approved, months into the financial year.

Transparency has been enhanced by the regular monthly television interviews with the President. All ministers and their permanent secretaries conduct open press events and phone-in television interviews. However, despite all these efforts, it is not clear how much the government has succeeded in establishing order in state business. While the government claims that it has made much progress, critics insist that business is still conducted 'as usual'.[32]

Fears have been expressed about the effectiveness and sustainability of the reforms since they are manifestly personality-driven rather than systematic or

[28] For background to the institution of 'due process' in the budget process see Ezekwelsili, O., Special Assistant on Budget Matters to the President, 'Integrating the due process principle into the budget process', Paper presented at the National Seminar on Implementing the 2002 Budget, Enugu, 3–5 Apr. 2002.

[29] The dates on the FMF's 'Discussion schedules for ministries' fall in June or July.

[30] Personnel of the Ministry of Defence, Interview with the authors, Abuja, June 2002.

[31] Galadanchi, C. B., 'Budgetary process in Nigeria', Paper presented at the Two-Day Conference on Defence Budgeting, National War College, Abuja, Nov. 1999.

[32] See, e.g., 'Nigeria's budgets fraudulent, wasteful—lawmaker', *ThisDay*, 3 July 2005; and Ogbodo, J. A., 'Obasanjo v reps: one nation, two budgets and looming threat to democracy', *The Guardian* (Lagos), 15 May 2005.

rules-based.[33] The stature and commitment of the President seem to be the only strengths that the reforms have. Reforms whose success depends on the personality of the President are particularly vulnerable in a complex society such as Nigeria's, all the more so since presidential powers are not overwhelming but require continuous consideration of geopolitical and ethnic considerations. This is in addition to the obvious limitations of personal control over a wide variety of budgetary factors. Nevertheless, the budgetary process in the current regime is markedly different from those of the military regimes.

IV. The military budgetary process

The formal process of budgeting for the Ministry of Defence is not very different from those of the other ministries. Like other ministries, the MOD has to respond to the BCC, and its long-term programmes must be included in the National Rolling Plan before they can appear in the annual budget. The only difference from the other ministries is in decision making on strategic procurement, which is left to the military hierarchy. The Chief of Defence Staff leads the decision-making process, which is organized in Defence Headquarters.

As a result of the long years of military rule, and the pervasive corruption that it engendered, the military budget has been of great interest to civil society, especially the media and academia. The military budget is one yardstick by which civil society and the critical citizenry measure the seriousness of the government's commitment to social and economic development; it is continually compared with the budgets of other sectors in the ongoing 'gari versus gun' debate.[34] In addition, defence contracts have been some of the most attractive for businessmen and corrupt officials alike.[35] Military governments focused on the military budget for security reasons. Indeed, the last three military heads of state held the defence portfolio personally. As a consequence of these factors, the military budgetary process has been subject to multiple sources of control: from the three services, from the MOD and from the government.

Since the end of the civil war in 1970, the MOD has consistently received one of the highest budgetary allocations. This is perhaps because the MOD is one of the few ministries to be funded solely by the federal government, whereas most other federal ministries have analogues in the states.

The formal process

Like the national process, the military budgetary process consists of four broadly defined phases: formulation, approval, implementation (including stra-

[33] See, e.g., Olumense, S., 'Under Obasanjo's bed', *The Guardian* (Lagos), 24 July 2005.

[34] Gari is a staple food in Nigeria. Adekson, J. B., 'On the theory of modernizing soldier: a critique', *Current Research on Peace and Violence*, vol. 8, no. 1 (1978), p. 18.

[35] Adekanye, J. 'B., *The Retired Military as Emergent Power Factor in Nigeria* (Heinemann Educational Books: Ibadan, 1999), pp. 36–38.

tegic procurement), and auditing and reporting. The process is organized by the ministry's Budget Planning and Implementation Committee. This committee is headed by the Permanent Secretary and includes the directors of the three service departments, who are usually civilians, the ministry's Director of Finance, the heads of finance of the three services and a representative of Defence Headquarters.

The formulation phase

Budgeting in the Ministry of Defence is a year-round occupation. In the absence of a government White Paper on defence,[36] each arm of the military produces its budget proposal based on perceived needs, in line with the Budget Call Circular. These are then coordinated through the office of the Chief of Defence Staff in Defence Headquarters.

Each service has a Planning Board, the membership of which includes the MOD's service director. The Planning Board aggregates submissions from the units to make the service's budgetary estimates. Since the National Planning Commission involves the services in the formulation of the National Rolling Plan, much of the military capital budget is simply extracted from the rolling plan. This covers mainly construction work and the refurbishing of equipment, not the more strategic acquisitions. At every point in the budgetary process the ceilings provided by the FMF and the government's revenue forecasts guide staff. Each unit and level in the service has to defend its budgetary proposals before the next higher level.

In addition to the three services, agencies to be budgeted for include the MOD itself and its Joint Services Department, the Command and Staff College, the National War College and its Centre for Peace Research, the National Armed Forces Rehabilitation Centre, the Directorate of Military Pensions, the Defence Intelligence Agency, defence missions and the Defence Industries Corporation of Nigeria (DICN). The proposals from the services and agencies are submitted to the Joint Services Department in the MOD for harmonization. The estimates from the services are then combined with those of civilians at the ministry and forwarded to the FMF as the military budget estimates.

At the FMF, the MOD team, usually led by the Permanent Secretary, has to defend the ministry's budget estimates, especially when the budget ceiling is exceeded, as is usually the case. After leaving the FMF, the budget passes through the Presidency and the Federal Executive Council, usually with no alteration, before it is sent to the National Assembly.

[36] The government is in the process of formulating policy guidelines for the armed forces. The first draft was issued in 2001 but the White Paper has not been released. Federal Government of Nigeria (note 11). In Jan. 2005 it was reported that the government had approved a new policy, based largely on the 2001 draft; this policy document was not made public as of Aug. 2005. 'Govt okays news defence policy', *The Guardian* (Lagos), 20 Jan. 2005.

The authorization phase

After the Appropriation Bill is presented to the National Assembly, it is considered in committee. For budget purposes, all committees become subcommittees of, and function according to the rules of, the Finance and Appropriation Committee of the House of Representatives or the Senate.

Since 1999 the Defence Committee of the Senate has been further divided into three subcommittees to oversee the three services of the Nigerian Armed Forces. Each of these service subcommittees discusses and approves the budgetary estimates of its service. The same process takes place in the House of Representatives. The Defence Committees' aggregated draft is then forwarded to the Senate's Finance and Appropriation Committee. In the course of examining the details of the budget, the Defence Committee can call the Minister of Defence and officials of the MOD to defend the ministry's estimates.[37]

The implementation phase

Once the budget is approved, funds are disbursed in the manner indicated in the Appropriation Act. Allocations are normally released quarterly. The FMF produces the breakdown of the budget as approved by the National Assembly for each ministry and agency. Upon receipt of the approved budget, the Funds Allocation and Budget Committee of the MOD reappraises the budget against the ministry's proposals and, where funding falls short of expectation, recommends a reordering of priorities within the budgetary limits. Similarly, the services appraise and reorder their priorities.

The implementation of the MOD's budget is as in other ministries, the only significant difference being that the MOD keeps only the capital budget (including funds for the procurement of strategic military weapons), passing the recurrent budget to the services. However, in practice, the ministry merely controls the money while the services execute the capital projects themselves. This practice has been common for several years with a concerted effort to change the situation and for the ministry to assert itself in the process only being made since 2003.

The Accountant-General sends internal auditors to the MOD whose task is to ensure that financial regulations are followed in the disbursement of funds and that proper records are kept.

Strategic procurement

The Services Chiefs Committee, consisting of the Chief of Defence Staff and the three service chiefs, is responsible for joint strategic and logistic planning and makes the major decisions involving strategic acquisitions. The strategic procurement process begins within the services when they define their respective equipment requirements. Generally, the need for equipment can be said to

[37] Constitution of the Federal Republic of Nigeria 1999 (note 3), Section 67(2).

result from 'technical advances, Combat Development concepts, enemy capabilities, obsolescence of an existing equipment, experience gained during operation or training and information from friendly user countries'.[38]

Once equipment requirements have been identified, the Equipment Committee is requested to undertake a preliminary study of how the need can be satisfied in terms of technical possibilities and cost. If this study is favourable, the next stage in the process involves requesting the relevant service's Department of Staff Duties to prepare in conjunction with the potential user what is called the General Staff Target (GST). The GST usually reflects the end users' requirements for the equipment to be purchased. The GST is passed on to the service chief for examination and approval. If approved, it is then passed on to the Equipment Committee for a feasibility study based on the GST and on a comparative analysis of the available technologies, cost and time, problem areas and production cost estimates.

The Equipment Committee decides whether to proceed with the equipment purchase or not. If the decision is to proceed, user requirements are prepared with details of the expected characteristics and performances, which also serve to justify the need for and choice of equipment. Estimated cost, technical details and other factors are included in the user requirements. Once the choice of equipment is approved, a trial is carried out in the presence of the MOD representative in charge of projects for the service, since the ministry will finance the project. The final decision lies with the Procurement Committee of the MOD, which includes representatives of the services, relevant parastatals and the National Assembly. Once a weapon system has been decided upon and approved, its cost is included in the MOD budget estimates.

The auditing and reporting phase

Spending in the military sector is monitored in various ways. Internal auditing in undertaken by the Audit, Monitoring and Evaluation units of the Ministry of Defence, which monitor the finances and projects of the armed forces. The Auditor-General conducts an annual general audit.

The National Assembly also has a role in supervising military spending. This involves regular debates as well as visits to and monitoring of defence projects by the Defence Committees of the two houses.

A major feature of the audit process in Nigeria is delay. Before the audit process began again in 1999, the last audit of the accounts of the federal government was in 1991.[39] The MOD, which has been one of the biggest spending ministries, has one of the highest numbers of abandoned projects. Most of the infrastructure of the armed forces is in a deplorable condition. In addition, a 2001 report showed that the armed forces owe over 1.7 billion naira (*c*. $12 mil-

[38] Innih, G. A., 'The procurement process', ed. Imobighe (note 8), p. 46.

[39] Ajiboye, J. O., acting Auditor-General for the Federation, 'Auditing and financial monitoring', Paper presented at the National Seminar on Implementing the 2002 Budget, Enugu, 3–5 Apr. 2002.

lion) in utility bills accumulated over the years.[40] It is clear that, despite annual budgetary provisions and fund releases, responsibilities such as these have not been fulfilled. Corruption is rampant and there are few processes to ensure accountability. The many years of military rule have led to impatience with due process and the tendency is to bypass or ignore vital institutional arrangements in order to achieve usually selfish ends.

The formal system described above is based on legal and procedural regulations that apply internally and at all levels. Apart from the many articles of the constitution that regulate national planning and budgeting, other regulations include the FMF's Guide to Budget Procedures and the National Assembly's parliamentary procedures and practices. It is clear that since the return to democratic rule the process is at least nominally followed. However, there are obvious bureaucratic and political influences that impinge on the budgetary process.

V. The major weaknesses of the military budgetary process

The process of budgeting for the military sector in Nigeria is bedevilled by problems, although there have been marked overall improvements since 1999. The main weaknesses in the process are: (*a*) the lack of a defence policy; (*b*) weak control by the MOD; (*c*) inefficient disbursement of funds; (*d*) the lack of transparency; (*e*) weak parliamentary control; (*f*) extra-budgetary revenue and expenditure; and (*g*) the limited involvement of civil society. Individual corruption remains an all-pervading problem.

The lack of a defence policy

A significant absence from the military budgetary process in Nigeria is that of a defence policy and, by implication, of a coherent strategy to guide the process.[41] The ideal starting point for military budgeting is policy development or review. This should begin with a broad assessment of the country's security environment and threats, followed by choices of the methods to be employed to address each major threat and its causes. The methods should include, but not be limited to, the deployment of armed forces. From this process flows the defence policy, which should be reviewed annually based on the results of the previous year.

Although military authorities in Nigeria claim that there has always been a defence policy, none has ever been published, let alone reviewed.[42] Similarly,

[40] Ministry of Defence, In-house investigation into abandonded projects, Abuja, 2001.

[41] See, e.g., Imobighe, T. A., 'The defence budget: analysis of content and process', ed. Imobighe (note 8); Aderinto, A. A., 'Defence budgeting and management', eds Ekoko and Vogt (note 5); and Vogt (note 5).

[42] The 2001 draft defence policy makes a veiled reference to this unpublished policy but also admits that 'Nigeria has never had a crystallised national security strategy that forms the basis for the development of other policies. However, there exists in the country's constitution and certain statutes, principles and doctrines, which constitute the nation's articulated goals and aspirations and the means to achieve them.' Federal Government of Nigeria (note 11), vol. 2, chapter 1, p. 3.

Box 8.1. Extracts from Nigeria's draft National Defence Policy, 2001

National defence objectives

- Protect Nigeria against external threat and aggression
- Provide defence as well as strategic advice and information to the government
- Promote security consciousness among Nigerians
- Respond to requests to aid civil authorities
- Participate in disaster management and humanitarian relief operations at home and abroad
- Assist other government agencies and levels of government in achieving national goals
- Protect Nigerians wherever they may reside
- Evacuate non-combatant Nigerians from crisis-hit countries in collaboration with the Ministry of Foreign Affairs
- Ensure stability in the West African sub-region, which constitutes Nigeria's primary zone of strategic interest
- Participate in bilateral and multilateral operations
- Contribute to international peace and security

Specific tasks for the armed forces within the national defence objectives

- Provide advice and information to government on developments in defence worldwide
- Protect the sovereignty of Nigeria through surveillance and control of Nigeria's territory, airspace and maritime areas of jurisdiction
- Protect Nigeria's onshore and offshore strategic assets
- Provide a national search-and-rescue programme
- Provide military aid to civil authorities in conjunction with the National Emergency Management Authority
- Evacuate non-combatant Nigerians from crisis-hit countries in collaboration with the Ministry of Foreign Affairs
- Initiate bilateral and multilateral contacts and exchanges with select countries
- Initiate multinational operations to stabilize any state or group of states in the West African sub-region
- Participating in peace-support missions sponsored by the African Union and the United Nations
- Attain the capabilities to carry out other functions as may be prescribed by an act of the National Assembly

To achieve the above objectives, the military will be guided by selected strategies, which include 'prevention, protection, deterrence, rapid mobilization, force projection and cooperation with allies'. To achieve these objectives through the strategies proposed and given the neglect the military has suffered over the years, it is proposed that 'Nigeria's defence budget shall not be less than 2.5% of GDP for the next 10 years'.

Source: Federal Government of Nigeria, 'National Defence Policy' (draft), vol. 2, Lagos, 2001.

there is no evidence of there ever having been a coordinated policy to guide strategic acquisitions. The MOD has never produced a White Paper that explains the government's programme for defence. It has been argued that, 'while periodic reviews of Nigeria's foreign policy were undertaken and results implemented by government, one can confidently assert that officially and for

several years Nigeria operated without an obvious defence policy'.[43] This lack of policy has affected strategic planning and the programming that should turn policy and doctrine into operational capability. In the absence of a policy each service of the armed forces has made its own interpretation of the country's foreign policy and core values and on that basis proceeded to make acquisitions to satisfy its needs. In the 1980s, for instance, the Nigerian Navy had an intense equipping programme: it acquired several modern warships that were inappropriate for Nigeria's immediate needs. This sent the wrong signals to the country's immediate neighbours, especially the francophone countries, which consequently formed a security organization outside the framework of the Economic Community of West African States (ECOWAS).[44] This was at a time when Nigeria was campaigning intensely for closer sub-regional unity and integration.[45]

The lack of policy coordination between the three services is echoed in the lack of coordination in operations. Each arm of the military plans separately and independently, with little consultation or harmonization of needs. Inter-service rivalry further aggravates this problem. While the problem of coordination was meant to be solved through the creation of the post of Chief of Defence Staff and the Services Chiefs Committee, there is little evidence to suggest that the intended result has been achieved.

Budgeting for defence has until recently been conducted in a policy vacuum with little or no strategic vision. The 2001 draft National Defence Policy was circulated among defence experts for comments at the time with a view to publishing a government White Paper on defence for the first time (extracts from the draft policy are given in box 8.1).

Weak control by the Ministry of Defence

One consequence of the lack of a defence policy is the inability of the MOD to perform the functions assigned to it. While there appears to be significant civilian input into the formal budgetary process, and civilians theoretically control the ministry, including the funds allocated to it, the reality is quite different. The service commanders control the recurrent expenditure of their respective services, leaving the ministry in control of the allocation for capital projects and the recurrent expenditure for other units of the MOD. Any impression that the ministry is in charge of this most critical part of military expenditure is false: in reality, the services control all the funds but leave them in the hands of the ministry simply for safe keeping. There are two reasons for this: long years of

[43] Vogt (note 5).

[44] The Accord de Non-agression et d'Assistance en matière de Défense (ANAD, Agreement on non-aggression and on assistance in defence matters) was signed on 7 June 1977 by Burkina Faso, Côte d'Ivoire, Mali, Mauritania, Niger, Senegal and Togo, with Benin and Guinea as observers and supported by France.

[45] Vogt (note 5), p. 102.

Table 8.2. A comparison of the Nigerian Ministry of Defence's proposed budget, government-announced estimates and actual releases from the government, 1999–2002

Figures are in million naira and current prices.

Year	Proposal by the MOD	Approved estimate	Actual release to the MOD
1999	95 094	45 400	30 662
2000	71 202	37 490	43 687
2001	86 617	63 472	75 910
2002	117 848	64 908	38 807

MOD = Ministry of Defence

Sources: **Proposals and actual releases**: Nigerian Ministry of Defence, Budget Office, personal communication, May 2003; **Approved estimates 1999, 2000 and 2001**: Central Bank of Nigeria, *Annual Report and Statement of Accounts* (Central Bank of Nigeria: Abuja, 2001 and 2002); and supplementary allocations for 1999 as reported in the media; **Approved estimates 2002**: Nigerian Senate, Appropriation Act 2002, National Assembly, Abuja, Mar. 2002.

military rule and the lack of expertise on defence matters among the senior civilian members of the MOD.

Military rule ensured that for several years Defence Headquarters, rather than the MOD, was the real centre of decision making. Decisions were made by the commander-in-chief and the service chiefs, and instructions were merely passed on to the MOD for implementation. This tradition took root over the years as military rule became almost entrenched in Nigeria. As the ministry has taken proper control of the decision-making process since 1999 the practice has changed, but it is difficult to assess the extent to which the change has been institutionalized. Between 1999 and 2003 the Minister of Defence was a former military officer and an influential member of the ruling party who had access to the President. The minister and the President were largely responsible for negotiating most of the country's external military aid, leaving the service chiefs feeling marginalized given the considerable influence that they had wielded in the past.[46]

The lack of expertise on defence matters among top-level civilians at the MOD has, over the years, ensured that the military can dismiss as uninformed any input from the ministry on strategic matters. These two problems eroded whatever control the law envisaged for the MOD, especially on policy and the control of funds.

[46] For details of how, in order to maintain the independence of their services, the service chiefs prevented certain proposed constitutional changes that would have affected the running of the armed forces see Imobighe, T. A., 'The organizational structure of Nigeria's defence establishment', ed. Imobighe (note 8), pp. 4–9.

Inefficient disbursement of funds

The manner in which funds are disbursed after spending has been authorized is another weakness. The three Service Headquarters that control funds for recurrent expenditure often hold on to funds for too long, thereby affecting the proper functioning of the units under them.[47] Similarly, the capital funds controlled by the MOD are not released by the ministry when they are due to be released. Instead, the funds are held until the last quarter of the financial year; all funds are then disbursed so that unspent monies are not returned to the Treasury but are shared by influential members of the ministry.[48]

Lack of a proper system of evaluation, auditing and monitoring has allowed these bad practices to continue. This breeds corruption and does not allow for the proper execution of projects. However, since 2000, rather than money being held up at the ministry, the FMF has been withholding the capital funds of the MOD (and other ministries) and merely releasing small portions of it, all in the name of controlling graft. In 2001 and 2002 only about 20 per cent of the appropriated capital vote was released to the MOD.[49]

The reconciliation of accounts is also a problem, caused by the separation of the control of funds between the services and the MOD.

The effect of all this is the existence of different versions of the 'official' military expenditure of Nigeria.[50] There are great discrepancies between the approved budget (in the annual Appropriation Act), the funds disbursed by the FMF and the actual expenditure of the MOD. This problem has become acute since 2001 (see table 8.2).

The lack of transparency

The lack of meaningful disaggregation of the Nigerian military budget means that there is only a limited degree of transparency in the funding of the armed forces. The budget is divided into two major parts: recurrent and capital expenditure. Recurrent expenditure, which includes personnel costs (including pensions) and overhead costs (mainly travel, office maintenance and training), has taken an average of 82 per cent of the entire defence allocation in the past seven years (see table 8.3). This has been a source of concern for successive governments since accurately calculating the number of military and allied personnel and pensioners has proved a major challenge to the Ministry of Defence. The most time-consuming function of the MOD's Personnel Department is the seemingly endless review and updating of the Nominal Roll and the calculation of personnel emolument. The ministry has often had to use personnel audits and staff pay-appearances to check for 'ghost' workers. The Nigerian

[47] Aderinto (note 41).

[48] Aderinto (note 41).

[49] Ministry of Defence, Budget Office, Personal communication with the authors, Abuja, June 2003.

[50] For a detailed discussion of the problems associated with military expenditure data in Nigeria see Omitoogun (note 9), in particular chapter 7 on Nigeria.

Table 8.3. The composition of Nigeria's military expenditure, 1999–2005

Figures are approved budgets, in million naira and current prices.

Year	Recurrent expenditure	Capital expenditure	Total expenditure	Recurrent expenditure as a proportion of total expenditure (%)
1999	28 091	4 856	32 947	*85*
2000	33 119	6 955	40 074	*83*
2001	47 072	16 400	63 472	*74*
2002	86 054	22 094	108 148	*80*
2003	51 044	8 573	59 617	*86*
2004	65 400	10 657	76 057	*86*
2005	90 334	21 535	111 869	*81*

Sources: **Years 1999–2003**: Central Bank of Nigeria, 'Public finance statistics 2003', *Statistical Bulletin*, vol. 14, part B (31 Dec. 2003), URL <http://www.cenbank.org/documents/data.asp>, tables B.1.5 and B.1.6; **Years 2004–2005**: Appropriation Act 2004 and 2005, Budget Office, Lagos, 2004 and 2005, URL <http://www.budgetoffice.gov.ng/>.

Army is currently engaged in verifying the retirement claims of military pensioners (well over 70 per cent of pension applications were found to be unverifiable), although an accurate census of serving officers and men has not been undertaken. The armed forces are estimated to number about 80 000 men.[51] The documentation system in the military reflects the poor state of record keeping in the nation as a whole.

The components of the MOD's capital budget include *inter alia* building and renovation work on barracks, hospitals and training institutions; furniture and equipment for laboratories, libraries, and so on; computerization and information technology; purchase of vehicles; refurbishment and modernization of existing strategic systems; procurement of spares for military equipment; the re-kitting of personnel; and the construction of ammunition dumps.

There is a lack of long-term planning for military acquisitions, primarily because of the lack of a defence policy. Moreover, very little detail is provided on even the minimal programme that exists. The lack of information on the way in which many well-known military activities are funded is a major source of concern to those who deal with the military, not least the National Assembly and civil society. The National Assembly's major criticism of the budget is the absence of the kind of detail that would facilitate the process of authorization and monitoring.[52]

[51] This estmiate was given by Gen. Theophilous Danjuma, former Chief of Army Staff (1976–79) and Minister of Defence (1999–2003). See Onuorah, M., 'Na'abba backs downsizing of military', *The Guardian* (Lagos), 16 May 2000; and Oloja, M., Eluemnour, T. and Onuroah, M., 'Govts drop plan to trim military', *The Guardian* (Lagos), 24 Dec. 2000.

[52] Members of the National Assembly have complained that they could not obtain copies of the breakdown of the 2005 budget several weeks after the President presented the bill to a joint session of the assembly. Ogbodo (note 32).

Weak parliamentary control

Despite the powers granted to the parliament on budgetary matters and spending, the National Assembly has not been able to perform its oversight functions properly since 1999 (the same weakness was evident during the period of democratic rule in 1979–83).[53] This is a result of both the general lack of experience of the members of the National Assembly[54] and their specific lack of understanding of basic defence issues. The lack of stability in the committee system in both houses of the National Assembly is also a major weakness. It is generally thought that a seat on a Defence Committee is one of the most sought-after positions in the National Assembly since there are few public hearings and because of the perceived benefits of membership. During the first term of the new National Assembly, 1999–2003, the membership of the Defence Committees changed almost completely three times. This has not permitted capacity building through learning from experience.

As a result of the apparent dearth of expertise among the legislators on military budgetary matters the Defence Committees depend largely on the expertise of the retired military personnel among their members. However, they rarely work against the interest of the military. It is instructive that the National Assembly only rarely reduces the military budget estimates presented to it, while it has approved funds for personnel costs without knowing the real strength of the armed forces.[55]

It is also significant that the National Assembly has not discussed defence matters as openly as the democratic dispensation demands. Sessions of the Defence Committees are not public. In both 2000 and 2001 the budgets announced to the public did not contain appropriations for the military. In both of these years supplementary allocations were made for the MOD. In acting in this way, the National Assembly colludes with the executive to hide information on the defence sector from the general public. This adds to the need for a value-for-money audit as well as a 'value expenditure' tracking system.

Respondents in the National Assembly have complained that the parliament is not well equipped to deal effectively with military budgetary matters. Since the library of the National Assembly is poorly stocked, its research capacity is as limited as the public knowledge on defence matters. The National Assembly has also failed to maintain useful linkages with non-governmental organizations.

In addition to these shortcomings, the National Assembly has been the subject of public concern because of its performance and actions. Much infighting among parliamentarians, allegations of corruption and huge emoluments earned

[53] Aderinto (note 41); and Imobighe (note 41).

[54] Senator Tokunbo Afikuyomi made this point in a recent article. Afikuyomi, T., 'Legislative issues: a critique', *The Guardian* (Lagos), 16 May 2005.

[55] This point was made by Dr Haruna Yerima, a member of the House of Representatives and of the Defence Committee, at a seminar on Security Sector Governance, Abuja, 19–20 Apr. 2004.

by senators and members of the House of Representative have demeaned the institution in the public eye.

Extra-budgetary spending and revenues

The weak parliamentary control and the lack of transparency have allowed the large extra-budgetary spending and revenue that are a common feature of the Nigerian budgetary process. This abuse includes use of funds from federal government extra-budgetary accounts on military activities, income from MOD agencies, and revenue from peacekeeping and foreign aid.

The government has several accounts that are outside the purview of the law, which it uses to augment its spending. These include the Petroleum Savings Trust Fund (PTF, now defunct), the Nigeria Trust Fund, the Stabilization Account, dedicated accounts, the Oil Windfall and Special Debt Accounts, and External Loan Savings. Of these, only the first three were established by law or decree; the rest were created for administrative convenience by successive regimes with no clear rules for deposits and withdrawals. Auditing of these off-budget accounts is outside the constitutionally assigned role of the OAuGF. In 1988–94 these accounts were believed to contain up to $12.4 billion.[56] Most of the government's extra-budgetary activities are funded from these accounts.

In addition to the funds in the military budget, the federal government provides funds for 'policy matters'. Such military operations as Nigeria's involvement in the Liberian and Sierra Leonean crises and internal security operations are considered policy matters, and the government bears full financial responsibility for them. Policy matters are not reflected in the MOD's budget: they may be funded from any of these off-budget accounts or the national security budget. The total extent to which the funds are committed to military activity is difficult to determine, but, for example, it is believed that the activities of ECOMOG (the ECOWAS Military Observer Group) in Sierra Leone and Liberia in the 1990s were funded through these accounts.[57] Nigeria's involvement in ECOMOG is believed to have cost the country about $12 billion.[58]

Several military construction projects were funded by the PTF during its lifetime (1994–2000) but were not reflected in the military budgets. While the PTF activities in other sectors were made open to public scrutiny, those in the defence sector were not. A recent government investigation of the activities of the PTF found contract inflation to be its major problem.[59]

Similarly, while it is not clear whether military spending is hidden in the budgets of other sectors, unplanned and extra-budgetary projects of the armed forces and their involvement in non-military functions suggest that other sectors

[56] Apampa, S. and Oni, T., 'Nigeria', ed. A. Fölscher, *Budget Transparency and Participation: Five African Case Studies* (Idasa: Cape Town, 2002), URL <http://www.idasa.org.za/>, p. 193.

[57] Apampa and Oni (note 56).

[58] Dawkins, W. and Holman, M., 'Obasanjo, leader on a mission for a nation in debt', *Financial Times*, 15 Sep. 2000, p. 6.

[59] 'How Buhari managed PTF', *The Guardian* (Lagos), 3 Nov. 2002.

may bear some of the costs of military activities. It is not known if the Nigerian Police pays for the involvement of the armed forces in anti-robbery operations or if the Presidency pays for major internal operations such as those in the town of Odi in 1999 and Benue State in 2001.[60] However, the government has proposed a special budgetary allocation specifically for military operations. Each budget contains a number of contingency votes, security votes, 'service-wide' votes and margins for variation for which spending breakdowns are not provided and under which unbudgeted military projects can be financed. It is clear, therefore, that funding for internal defence operations, national intelligence and the presidential guards is provided directly by the federal government, just as the hit squads of the military era were funded by the Office of the Head of State.

The lack of detail in the budgets presented to the National Assembly means that there is no proper scrutiny of allocations to the various ministries and government departments. This allows the executive much room for manoeuvring once the money is appropriated.

Extra-budgetary revenue

Since military personnel do not pay taxes, the most important source of government income from the defence establishment is interest on loans. The Nigerian MOD and the armed forces also obtain independent income in the form of rent on service infrastructure, interest on cash deposits, proceeds from in-service businesses, such as the officers' messes, and proceeds from the sale of scrap. Such earnings are supposed to be remitted to the federal Treasury. During the era of military rule, ministries and agencies failed to remit such earnings. It is not known how large the income from these sources is today, as it is not reported.

Following the insistence since 1999 on 'due process', the Budget Call Circular asks that information on income be provided by the ministries and agencies. Given the government's focus on revenue generation, officials are expected to justify their performance through reports of their earnings and so the BCC requests that any failures to meet revenue targets be explained. Respondents from the FMF believe that since 1999 there has been an improvement in the returns from ministries and agencies, although they remain meagre.[61] Nonetheless, owing to its new policy of holding people directly responsible for specific tasks, the government is reaping some return from its agencies.

[60] 'Nigeria inquiry into Odi deaths', BBC News Online, 31 Dec. 1999, URL <http://news.bbc.co.uk/2/581730.stm>; and 'Army clampdown after Nigeria killings', BBC News Online, 26 Oct. 2001, URL <http://news.bbc.co.uk/2/1621651.stm>

[61] Personnel of the Federal Ministry of Finance, Interviews with the authors, Abuja, June 2002.

Income from Ministry of Defence agencies

Of the many government agencies under the Ministry of Defence, two are supposed to be profit yielding: the Defence Industries Corporation of Nigeria, based in Kaduna; and the Naval Dockyard, in Lagos. Neither makes a profit; instead, the MOD continues to budget for them.

The DICN is supposed to manufacture and sell light military hardware, but it has never been successful in doing so. The MOD still budgets for the capital expenditure of the DICN and the Naval Dockyard, while the two agencies are expected to provide for recurrent expenditure. It is clear, however, that they both still depend on the MOD.

Revenue from foreign aid

The federal government conducts all negotiations with foreign states and itself receives any aid. The foreign assistance is then normally channelled to the particular projects for which the funding is provided. The Ministry of Defence makes provisions for any required counterpart funding.

The Nigerian Government provides military assistance to a number of African states in the form of training at the Nigerian Defence Academy and other military training institutions and supplies used military hardware. However, this is regarded as a policy matter and is not factored into the MOD's budget.

The limited involvement of civil society

Prior to the restoration of democracy in 1999, civil society involvement in the budgetary process generally and the military budgetary process in particular was very limited. However, a small but vocal segment of acdemia and the media engaged the military hierarchy in an open debate on the level of military expenditure in the early to mid-1980s. The debate was healthy but it did not result in any change in the level of military spending. Nevertheless, it showed the willingness of the military to engage in an open debate on important issues. That culture did not grow as subsequent military regimes stifled debate.

Since 1999 there appears to have been a renewed interest in the military budget by civil society. The lack of a properly articulated defence policy document that could serve as a basis for engaging the military, however, is limiting the extent of civil society participation in the military budgetary process.

VI. Conclusions and recommendations

The problems in the process of budgeting for the military in Nigeria include the absence of a clear and concise policy, articulating military requirements and projects, to guide the budgetary process. This absence hinders any long-term commitment to apply due process in military budgeting. The existence of extra-budgetary funds, which are accessible to many sectors, including the military,

also limits the degree of adherence to due process and obstructs proper planning. In addition, participation in the budgetary process is restricted both within and outside government. Many crucial actors, including members of civil society, are excluded. The limited participation underscores the public perception of the actors as grossly corrupt. Regular reports seem to confirm this.

What links these problems is clearly the nature of Nigerian politics. The legacy of the many years of military rule, and the consequent social and political evolution, has produced a political system defined as much by its uncertainties as by its rules. There is an apparent lack of political consensus about the form of the Nigerian state and, concomitantly, on whether and why there should be a due process. This is especially symbolized by the failure of the National Assembly to provide the stringent oversight that is required before any change in the military budgetary process can take place, leaving it much as it was under military rule. This failure is compounded by the National Assembly's lack of capacity and expertise in military matters.

The solutions are obvious: it is necessary to continue with reform of the defence sector until a culture of adherence to due process is embedded. It is hoped that, as democracy continues, governance will cease to be as improvized as it has been and there will greater trust in the long-term survival of the system. The following specific recommendations for an improved system flow from the observed weaknesses in the system.

1. A new defence policy should take into account both the national economic policy framework and the security environment.
2. The Ministry of Defence should be further strengthened in order to be able to perform its role as the centre of policy direction for the armed forces
3. Clear rules and procedures should be established for the deposit, release and use of funds in the extra-budgetary accounts. All the accounts should be subject to audit by the Auditor-General.
4. The rules and procedures guiding the military budgetary process should be adhered to.
5. Conscious effort should be made to broaden the defence policy debate and the military budgetary process in order to allow contributions from members of civil society, many of whom have knowledge of the defence sector.
6. The capacity of members of the National Assembly and its Defence Committees should be improved. The leadership of the assembly should ensure continuity in the membership of the committees to allow for the members to learn through experience.
7. There should be more transparency in the actions of the executive, including the timely provision of information and improvement in the quality of information provided.
8. The Office of the Auditor-General for the Federation should be strengthened by reducing the authority of the executive to appoint and dismiss the Auditor-General.