CHAPTER VI

BUDGET IMPLEMENTATION IN A NEO-PATRIMONIAL STATE: THE CASE OF THE NIGERIAN 1994 FEDERAL BUDGET

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When the federal government announced its 1994 budget, it was appraised by both the public and the organised private sector (OPS) as the best thing that could have happened to the country's economy. At the expiration of its term, that is by December 1994, it turned out to be the worst of all budgets in recent times. It not only missed its target, it also created more social and economic problems. From all indications, it means something was wrong in the implementation stage. Budgeting, according to Wildavsky, 'is concerned with the translation of financial resources into human purposes. A budget, therefore, may be characterized as a series of goals with price tags attached'[1]. A budget performs four main roles: the authorization function, directional function, control function and developmental function.[2] Of all these functions, the most important is the control function. This is achieved through proper implementation and monitoring of the budget. If objectives are set in the budget and they are not achieved, the budget becomes an ordinary paper. This is not to say that a budget MUST achieve all the set goals. There are, at times, when a budget, for one reason or the other may miss its target [3].

The Nigerian 1994 federal budget is an example of a budget that missed its set targets. Widely applauded for its radical and populist stance, the budget did not make any meaningful contribution to the economy. This article is of the view that the budget failed because of the Neo-partimonialist nature of the Nigerian State. The following pages attempt to explain how neopatrimonialism contributed to the failure in the implementation of the 1994 federal budget. This chapter is divided into two sections. In the first one, the concept of neo-patrimonialism is presented and its applicability to the Nigerian State explored. In the second section, the major aims and performance of the 1994 budget are highlighted to expose the problems in its implementation.

1. THE NIGERIAN STATE A NEO-PATRIMONIAL SOCIETY?

Neo-patrimonialism is an off-shoot of patrimonialism. Patrimonialism is a form of traditional domination which is one of the three pure types of domination distinguished by Weber[5]. In the patrimonial form of traditional domination, authority is exercised not according to laid down rules, but according to the will of the traditional leader who exercises authority because of his traditional status. In patrimonial domination, the leader conducts political and administrative affairs as if they were personal matters. Political and administrative offices are, as such, distributed as personal properties to personal retainers - servants, relatives, favourites, etc. The characteristics of patrimonial system, according to Weber are:

'The object of obedience is the personal authority of the individual which he enjoys by virtue of his traditional status. The organized group exercizing authority is, in the simplest case, primarily based on personal loyalty, cultivated through a common process of education. The personal exercising authority is not a superior but a personal chief. His administrative staff does not consist primarily of officials but of personer retainers. Those subject to authority are not members of any association, but are either his traditional comrades or his subjects. What determines the relations of the administrative staff to the chief is not the impersonal obligations of office, but personal loyalty to the chief'[6].

The most fundamental feature of the patrimonial system can be summed up as that 'All governmental authority and the correspondingly economic rights tend to be treated as privately appropriated economic advantages'[7] or that Governmental powers and the associate advantages are treated as private rights.'[8].

Neo-patrimonialism is a combination of patrimonialism and modernisation. This is because bureaucratic ideals are imposed on an architecture that is basically patrimonial. But it is more tinted towards modernisation than towards tradition. Neo-patrimonial societies differentiate themselves from patrimonial ones in that they are incorporated into the modern international systems[9]. Neo-patrimonialism, as a tool of analysis, is useful in describing contemporary States that exhibit the characteristics of patrimonialism and certain modes of coping with political problems[10]. These States are, without doubt, different from traditional States. The contradictory characteristics of patrimonialism and bureaucracy are combined in a neo-patrimonial State. Whereas, the patrimonial society does not distinguish between private and public property (so we can not talk of corruption because this practice refers to public conduct), neo-patrimonial societies recognize the existence of a State (even though its existence is more of a facade) that is capable of generating and distributing vast resources. To keep itself in office, the State adopts public norms and universal ideologies[11]. So, the term corruption which is not applicable in the patrimonial State becomes relevant in a neo-patrimonial State.

The neo-patrimonial State is a very complex one because of its disguising behind various universal norms. It talks about the public when it actually wants to refer to the private sphere. Neo-patrimonialism has been a bane in the creation of modern State in Africa. The modern State is based on the separation between private and public sphere. There should be a differentiation between the office and the person occupying it. But African elites, according to Woods, have been incapable of establishing boundaries between private and public interests[12].

In Nigeria, like in most African States, there is privatisation of the public sphere. This phenomenon has two repercussions[13]: one, political power, instead of having an impersonal character becomes a personal property contrary to what obtains in a modern State; two, politics is turned to a sort of business where the highest bidder has its way.

PERSONALISATION OF POLITICAL POWER

This is the first characteristic of a neo-patrimonial state. The personalisation of power in Nigeria has grievous impact on its social, economic and political setting. Power in Nigeria, according to Dudley, 'is not a relation, as it would generally be construed to be, but a 'property', (or put differently, a predicate), and as such something to be valued not only for its own sake, but because its possession is what makes everything else possible'[14].

Personal rule has been encouraged by the high degree of 'scarcity and poverty' which exists in Africa[15]. In this type of situation, the official can not be separated from the office which he occupies and thus relationships between organisational members are personalized. This has led to the pervasive control of the state on civil society. As Lehman writes,

While growth in state institutional capacity reflects a more active state, the absence of effective power and legitimacy reveals a weakening and, perhaps, decaying state'[16]. This is why African states have been referred to as 'lame Leviathan '[17]. and as such, soft, and weak.

There is no doubt that the Nigerian state is at once soft and weak. The concept of soft state was first suggested by Gunner Myrdal to describe the softness of states in Asia[18]. It refers to absence of social discipline, which manifests itself in the non-implementation of decisions and non-respect for laws; rules and directives made by

the authority not being obeyed and the tendency by every group in the population to resist control by the public authority [19]. It also refers to the informal but crucial linkage between government functionaries and powerful individuals in the society [20]. This softness of the Nigerian state represents a serious constraint in its economic development and it was mainly responsible for the failure of the 1994 federal budget because 'the state is incapable of sustaining and reproducing existing social relations and specifically of controlling the labour force in the interest of any program of economic growth.'[21] It owns and controls a substantial percentage of the economy and thus becomes the major source of wage employment as well as the primary source of money expenditures. The state pervasively regulates the formal economy[22]. As Diamond has rightly pointed out, the Nigerian state, like its counterparts in other parts of Africa, 'can command and expend vast resources, but it cannot get things done.'[23] State capacity, according to this perspective, thus does no reflect its own autonomous set of interests nor the entire interests of society, but only mirrors the class interests that have "captured" the state.[24] The weakness of the Nigerian state persists because 'it has been an ineffective mechanism for protecting genuine economic actors from risks and uncertainties generated by the world market.'[25] It has been unwilling or unable to mobilize the necessary state machineries for the implementation of the budget's decisions. In one word, because the Nigerian state is neo-patimonial, it lacks the political will and strength to force other necessary support for policy implementation.

Reduction of Politics to Business

The second characteristic of noe-patrimonialism is the reduction of politics to business. In a patrimonial state, political power, fortunes and prestige are largely confounded. The economy is not allowed to act according to market forces as personal relationships dictate economic policies. State office is considered, by politicians and powerful individuals as a valuable instrument in their pursuit of private wealth. '"Pirate capitalism" or the use of state office to promote private business interests'[26] can be held to be largely responsible for the corruption and economic chaos that has characterised the Nigerian state. The state is considered as a cake from which everybody wants to have its own share. Since this is the case, public organisations, who are supposed to implement public policies, should not be expected to perform their traditional role efficiently. This, no doubt, impedes the formulation and implementation of veritable public policies. Their close association of elite networks and officials' use of office for private gain has been largely responsible for the high level of corruption in the country. Political game in the country is regarded as a do or die affair because of the attached economic gains. This is why Joseph asserts that competitive politics has contributed to a

> ....failure to maintain the integrity of the state in relation to the multifarious groups and organizations in civil society. Indeed....in 1983, the boundary between the state and the civil society seemed to have dissolved: public institutions had become as much a party to the struggle for gaining particular advantage as were the registered party organizations themselves'[27]

This is why Diamond sees the divorce of state and societal interests as a prerequisite to coherent and effective governance in Nigeria.[28] The fusion of state and civil society primarily led to the failure of the 1994 federal budget as we shall now see.

II 1994 BUDGET: AN APPRAISAL

The 1994 budget was prepared with the following objectives in view:[29]

- a balanced budget firmly anchored in fiscal discipline and abolition of deficit financing.
- identification and mobilization of new sources of collectible revenue
- exchange rate stabilization and reversal of the high incidence of capital flight
- rationalisation of interest rates to stem the decline of the real sector.
- effective debt management strategies to reduce the debt service burdens on domestic commitments and obtain debt relief from external creditors
- rehabilitation of socio-economic infrastructure and strengthening of the law and order apparatus to provide conducive environment for legitimate economic pursuits and private initiative.
- increase in capacity utilization of the industrial sector and effective sourcing of local raw materials:
- promotion of growth linkages in the rural economy:
- promotion of employment opportunities to reduce the current high level of unemployment especially among the youth;
- policy fidelity and close monitoring of implementation to ensure the attainment of these goals.

Most observers agreed from the on set that this budget was filled with inadequacies. Despite the fact that Dr. Idika Kalu, the then Minister of Finance, identified the problems that had been confronting the country's economy since 1991, there were no indications that government did any homework to solve these problems or at

worst improve on them. According to him, the imbalances and distortions in the economy since 1991 'has been brought about by both inappropriate conceptualization and faulty designs of some of these policies and compounded by poor and half hearted implementation.'[30]. The 1994 budget, just like its predecessors referred to by the minister was also not 'appropriately conceptualized' and there was no way it could have been implemented whole heartedly. This was because, firstly, the minister who was to head the implementation team did not believe in the budget. Dr. Kalu was a devoted apostle of deregulation and a serious student of the World Bank, who had under the previous regime of Babangida implemented the Structural Adjustment Program (SAP). To now think he would give the same weight to a budget proning regulation is abnormal. 'This was why on various occasions, contradictory statements were issued by the various organs of government (The Ministry of Finance, the National Planning Commission, the Executive Council Economic Committee headed by Jakande and the Economic intelligence Committee, headed by Professor Aluko) charged with the monitoring of the budget. For example, by mid-year, while the Head of State and the Minister of Finance admitted that the budget had big problems which needed to be reviewed, Jakande and Aluko on various occasions, did not see anything wrong with the budget. [31] Secondly, the budget was inappropriately conceptualized. Government. in trying to encourage local industries fixed a ceiling on interest and lending rates to 12-15 % and 21% respectively without considering the level of inflation. The rationalisation of interest rate had a negative effect. It became a disincentive to savings. Banks could not get money to lend to customers. It made sense to invest in buying and selling because of the inflation rate approximated at 150% than to save in the bank or produce any product. The same thing applied to the policy of the fixed exchange rate of the naira. This was remarked in the Central Bank of Nigeria report.

> 'Contrary to policy objectives,...the pegging of the naira exchange rate and the complementary restrictive trade and exchange rate measures have led to the over-valuation of the official rate, leading to a reduction in the supply of and increase in the demand for foreign exchange, thereby aggravating the pressure on both current and capital accounts of the balance of payment.'[32]

The gains of the fixed exchange rate was highjacked by parallel market operators and officials of the Central Bank, who would not want to do away easily with the benefits they were accumulating during the eight years of deregulation. On the one hand, operators of the parallel markets capitalized on the shortage of foreign exchange to engage in speculative hoarding in expectation of windfalls in the future. On the other hand, officials of the Central Bank also capitalized on the scarcity of foreign exchange to engage in sharp practices through the allocation of available forex to selected clients. It was this situation that led to the establishment of another government committee, headed by the Minister of Labour and Productivity, Sam Ogbemudia, to supervise the Central Bank in the prioritization of foreign exchange allocation. This committee was even criticized by the members of the Manufacturers' Association of Nigeria (MAN) of allocating forex to some multinationals to import items like sugar and baby food.[33] And this should not have been the case.

CONCLUSION

This article has argued that the failure of the Nigerian 1994 budget to achieve its set goals could be explained by the neo-patrimonial nature of the Nigerian State. Efforts of government in that year were thwarted by the inherent characteristics of the state which unless are corrected will always mar political, social and economic reforms. These features which are twofold, that is the personalisation of political power and the commercialisation of politics have been the source of impediments in the implementation of public policies in Nigeria. This has been demonstrated in a review of the implementation of the 1994 budget.

In a nutshell, with the exception of the agricultural sector where marginal growth was recorded (as a result of good weather and not policy measures), the 1994 budget as implemented did not live up to expectation. The black or parallel market, despite government's clampdown on them waxed stronger. Banks did not lend to manufacturers as envisaged. Manufacturers were starved of foreign exchange contrary to government expectations. Capacity utilization fell from 40% to 25% thereby leading to increased unemployment. Urban unemployment consequently rose from 4. 2. to 5. 4 per cent. Government deficit surpassed projections as it passed N75 billion mark. Corruption and smuggling became rampant as businessmen preferred to import through illegal routes with the foreign exchange accumulated from their exports instead of channelling it through the Central Bank at the government fixed rate.

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