



Final Report
NIGERIA: LEGISLATIVE STRENGTHENING STUDY TOUR FOR NIGERIAN
LEGISLATORS
USAID Cooperative Agreement No. 620-A-00-00-00010
June 15 to November 30, 2000

I. SUMMARY

From June 20 to July 1, 2000, the National Democratic Institute for International Affairs (NDI) sponsored a 19-member delegation of Nigerian federal legislators to Washington and Brasilia to participate in a comprehensive seminar on budgeting and budget monitoring organized by the International Monetary Fund (IMF). The study mission program consisted of a three-day seminar at the IMF headquarters in Washington, followed by a day of meetings on Capitol Hill organized by NDI. The delegation then traveled to Brasilia to take part in three days of consultations with Brazilian policy makers and IMF representatives to highlight Brazil's successful structural adjustment experience.

Since the study mission, Nigerian policy makers have substantially revised the annual budget process in Nigeria, leading to speedy passage of a budget resolution in December 2000. In addition, a budget process law was introduced in the Senate, which, if enacted, would establish a clear timetable and guidelines for future budget negotiations. These results are consistent with the objectives of the study mission and reflect the impact of this activity.

II. BACKGROUND

Since assuming power in May 1999, Nigeria's newly elected civilian leaders have struggled to develop the political consensus needed to prioritize and address the myriad socioeconomic problems facing the country after decades of economic mismanagement, waste and corruption. The IMF, World Bank, USAID and other international donors have been working closely with Nigerian policy makers to provide technical assistance and funding during this critical period. President Obasanjo has pledged to reduce corruption in Nigeria, improve government accounting practices, meet the country's debt obligations and restructure the economy to encourage sustainable growth and diversification away from petroleum, which accounts for 90 percent of export earnings. At the same time, the country's leaders are attempting to address a host of socioeconomic challenges, including a crumbling infrastructure, devastated health and education sectors, persistent ethnic and religious conflicts and a legacy of

weak government institutions on the federal, state and local levels. The inherent cleavages in Nigerian society, exacerbated by years of conflict and misrule, have made consensus building difficult in the face of these competing priorities.

The Nigerian Budget Process in 1999 and 2000

In many respects, the federal budget process has served as the framework for prioritizing the government's response to these daunting challenges. In August 1999, President Obasanjo presented a supplemental appropriations bill to the National Assembly to cover costs associated with government during the second half of fiscal year 1999. This was followed in December 1999 by the full annual budget request for the year 2000, which took more than six months to be signed into law. In both cases, the president's budget submission was substantially revised upwards by the National Assembly, which in turn led to political conflicts. These conflicts and the delays they caused were interpreted by many in Nigeria – and in the international community – as a breakdown of the new civilian governance system.

The 2001 Budget Process

In contrast to these earlier experiences, the 2001 budget process has proceeded much more smoothly. President Obasanjo presented his budget estimates to the National Assembly on and a general budget resolution was passed by both Houses and signed into law. Using this resolution as an overall framework, the Appropriations and Finance Committees of the House and Senate will draft appropriations bills during the first quarter of 2001. These bills will set forth the line-by-line allocations for each budget item. This revised system allows both the executive and legislative branches to take ownership of the budget process without creating unnecessary delays or political conflicts.

What are the reasons for these reforms to the budget process? Certainly the rising price of oil – Nigeria's main export – has reduced the financial pressures on government spending and provided additional resources for inclusion in the budget. However, many observers also highlight the efforts by officials in the legislative and executive branches to learn from their past mistakes and the experiences of other countries. In 2000, a high-level "harmonization committee" was established to bring legislative leaders together with members of the Obasanjo administration to resolve budget-related issues and to plan for the 2001 process. In addition, Nigerian policy makers have participated in international study missions and other consultations to increase their understanding of Nigeria's macroeconomic situation and the means by which legislatures manage the budget process in other countries. These efforts have provided Nigeria's new civilian leaders with options for reform in the context of their own system.

III. PROGRAM ACTIVITIES

A. Study Mission

The study mission program comprised three components: a three-day budget workshop by officials at the International Monetary Fund in Washington; a day of meetings with

Congressional staff and other U.S. budget experts on Capitol Hill; and a three-day study tour of the Brazilian Ministries of Finance and Planning in Brasilia. Nineteen Nigerian legislators and key staff participated in the program.

1. Budget Workshop at the International Monetary Fund: Washington, DC (June 21-23)

At IMF headquarters, study mission participants met with officials from the Fund's Africa and Financial Affairs Divisions, as well as an expert on comparative budget systems from the University of Maryland. Sessions included such topics as the role of the IMF; macroeconomic management and the determination of the budget constraint; the design and management of macro-fiscal policy in a federation, institutional structures for analysis and oversight of the budget; and the role of the legislature in fighting corruption. In addition, given the decentralized nature of public administration in Nigeria, the participants were introduced to the tenets and experience in intergovernmental relations, including:

- Criteria for the devolution of revenue and expenditure responsibilities to the different tiers of governments;
- Criteria for determining the number of subnational governments;
- Mechanisms for monitoring subnational economic and financial policies

In these sessions, IMF officials sought to facilitate a smoother process for the compilation of the budget in Nigeria, in a manner consistent with the objectives of sustained macroeconomic stability and accelerated growth and poverty reduction, and to promote effective inter-governmental arrangements for sound public financial management. Nigerian legislators came away from the workshop with an extraordinary amount of new information about their own country's macroeconomic situation. Legislators commented that the sessions were extremely helpful in explaining some of the complexities of government finances and in suggesting techniques for ensuring better legislative oversight of the budget.

2. Budget Discussions with U.S. Congressional Officials: Washington, DC (June 27)

The second component of the program consisted of two panel discussions on Capitol Hill with Congressional staff and other U.S. budget experts. The first panel examined the relationship between the U.S. Congress and the International Financial Institutions (IFIs), including the IMF. As a follow-on to the IMF program, the panel provided an opportunity for the Nigerian legislators to hear opposing viewpoints about the effectiveness of the IFIs and the political arguments used by their supporters and detractors on Capitol Hill. Speakers included Mark Clack of the House International Relations Committee minority staff; and Mike Williams, Africa specialist for Congressman James McDermott (D-WA).

The second panel presented a detailed overview of the U.S. budget process from a historical perspective, with a focus on the current strengths and weaknesses of the system. For this presentation, Clack and Williams were joined by Richard Kogan, Policy Director of the House Budget Committee; Jim Horney of the Center on Budget and Policy Priorities; and Arlene Holen of the Congressional Budget Office. The Nigerians were particularly interested in the

appropriations process and the means by which Congress uses the budget process as a powerful check on the authority of the Executive Branch. On the other hand, they also listened with interest to the story of the 1995 budget impasse and the negative public reaction to Congress' role in the government shutdown that year. Participants told NDI that the presentations answered many questions they had had about the U.S. system, which they consider as a model for Nigeria's new constitutional order.

3. Study Tour: The Brazil Budget Process: Brasilia, Brazil (June 28-30)

For the third component of the program, the Nigerian legislators traveled to Brasilia, Brazil for a three-day seminar conducted jointly by the Brazilian government and the IMF. The seminar focused on Brazil's Fiscal Responsibility Law, which was passed in 1997 to curb government spending and bring the Brazilian economy into line with an IMF-sponsored structural adjustment program. The meetings were largely technical in nature, focusing on the specifics of the law and the techniques by which the Ministry of Planning works with the Brazilian Congress to develop a budget resolution for each fiscal year. Speakers from the Ministries of Finance and Planning, the Treasury, and the Brazilian Senate discussed the law's success in organizing the budget, cutting costs and reducing corruption. The Nigerian legislators also took a tour of the Brazilian Congress and had several impromptu meetings with their counterparts in the House of Deputies and the Senate.

The Nigerians told NDI that they were impressed with the Brazilian experience and the lessons it offered for macroeconomic restructuring. They agreed that the two countries had a great deal to learn from one another as each struggles to lessen corruption, alleviate poverty and social inequalities and overcome the legacies of decades of military rule.

B. Follow-On Activities

In September 2000, NDI requested a no-cost extension to cover some outstanding administrative costs and to host a reception in Abuja for study mission participants to solicit feedback on the program and its impacts. This meeting did not take place as planned due to scheduling difficulties related to the legislative calendar. However, NDI has consulted with several study mission participants in the course of its ongoing legislative strengthening program for the National Assembly, and their feedback has been incorporated into the text of this report.

No future activities are planned for this cooperative agreement. All remaining funds from this agreement will be returned to USAID.

IV. EVALUATION

For this program, NDI's results fall within the USAID/Nigeria Mission's Strategic Objective (SO) #2, "Strengthen Institutional Capacity for Economic Reform and Enhance Capacity to Revive Agricultural Growth."

Objective 1: To facilitate a smoother process for the compilation of the budget in Nigeria, in a manner consistent with the objectives of sustained macroeconomic stability and accelerated growth and poverty reduction.

The remarkable improvements between the 2000 and 2001 budget process in Nigeria indicate that significant reforms have been undertaken to ameliorate the system. The IMF study mission educated key National Assembly members from the Appropriations and Finance committees about Nigeria's macroeconomic realities and the role of the IMF in their economy. As a result, these committees were less resistant to the budget estimates presented by the President, which reflected the negotiations between the government, the IMF and other international creditors. If these trends continue, Nigeria may benefit from sustained macroeconomic stability, accelerated growth and poverty reduction.

Objective 2: To promote effective inter-governmental arrangements for sound public financial management.

The Fiscal Responsibility Law in Brazil provided a powerful example of cooperation between the legislative and executive branches of government to address grave deficiencies in that country's budget process. The "harmonization committee" established in Nigeria to resolve conflicts between the National Assembly and the Obasanjo administration may be a first step in developing effective inter-governmental arrangements for sound public financial management in Nigeria. Senator Iya Abubakar, who led the National Assembly delegation to the harmonization committee, also participated in the study mission. He wrote that as a result of the trip, the delegation was "better equipped to perform our duties to ensure a stable and democratic government in our country."