The impact of Transparency on Public Expenditure Management in Nigeria: A Conceptual Review

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Abstract

This paper reviews the impact of transparency on public expenditure management in Nigeria. The study explores the relationships between transparency and linked it with the public expenditure management in Nigerian. Conceptually, it is clear that transparency emerged from high level of corruption.Government expenditure involves all the expenses which the public sector operators incur for making the sector effective and efficient, for moving the economy forward. Public expenditure in Nigeria is usually categorized into recurrent and capital expenditure It is recommended that there's need to restructure the public sector transparency system and it is urgently necessary to have a comprehensive revision of entire audit laws of the country with a view to aligning them with current realities and demands of globalization. Therefore future studies would extend the study beyond the conceptual linkage through quantitative analysis.

Keywords: accountability, transparency, public, expenditure, management and Nigeria

Background to the Study

Many developed and developing countries have embarked on Public Expenditure Management Reforms (PEMR). The main reasons for commencing these reforms were Public Sector inefficiency and ineffectiveness. Governments have been constantly under pressure to improve public services quality while maitaining cost and enhancing accountability and transparency at the same time. Hood (2011) opined that several countries such as New Zealand, Australia and United Kingdom, undertook significant public sector changes to break the traditional methods of managing finances in the public sector. Those reforms were widely recognized under the concept of Public Financial Management (PFM). The reforms were directed at improving efficiency, effectiveness and accountability in the public sector.

Effective Public Expenditure Management (PEM) as a component of PFM is required to ensure efficient use of resources, create the highest level of transparency and accountability in government finances and to ensure long term economic success. Recent literature such as Roberts (2003) has highlighted the importance of sound PEM to service delivery, poverty reduction and achievement of the Millennium Development Goals (MDGs). Public expenditure management is a powerful tool in public financial management for allocating scarce resources to different programs of every country. Public expenditure management is a basic means of government policy distributing and utilizing sources productively, effectively and sensitively, Allen &Tommasi (2001). The central issue in public expenditure management concerns the judicious allocation of government expenditures, how aggregate expenditure has far reaching implications for socioeconomic growth and development in the local government. Public expenditure management is a long term process in which fiscal authorities and managers undertake periodic reviews of their spending decisions and activities in a bid to reduce costs stemming from unnecessary spending, unbudgeted expenditures and lack of transparency and accountability. The sphere of public expenditure management involves planning and budgeting of local government expenditures, auditing of expenditures, cash and debt management and strengthening of treasury and parliamentary controls, among others, (Musgrave & Musgrave, 1984; Mikesell, 2011; OECD, 2003). These expenditure control measures are enforced within specific institutional, legal and policy frameworks.

Government expenditure involves all the expenses which the public sector operators incur for making the sector effective and efficient, moving the economy forward. Public expenditure in Nigeria is usually categorized into recurrent and capital expenditure. According to Anyanfo (1996), a recurrent expenditure is incurred more frequently and regularly than the capital expenditure. In the context of governmental financial management, recurrent expenditure has an economic life span of less than one year, while capital expenditure has a life span of more than one year for the purpose of acquiring or improving fixed assets.

The Theoretical Background

Public Expenditure theory

Peacock-Wiseman's theory of expenditures .They based their analyses upon a political theory of public determination namely that governments like to spend more money and citizens do not like to pay tax revenue and that government need to pay some attention to the wishes of their citizens. As income grew, tax revenue and constant tax rate would rise, thereby enabling public expenditure to show a gradual upward trend even though within the economy there might be a divergence between what people regarded as being desirable level of public expenditure and the desirable level of taxation and other sources of government revenue. Peacock & Wiseman (1961) argued that a country's government spending does not follow a smooth trend, but some jumps at discrete intervals as a result of political instability. Peacock and Wiseman propose that the government expenditure of country increase during periods of social, political and economic upheavals. The theory has three underlying assumptions, which include the fact that government can always find profitable ways in terms of its votes to expand available fund; citizens in general are susceptible to higher taxes; and government must be responsive to the wishes of their citizens (Henrekson, 1993). This implies that during periods of tranquility and relative national peace, the incidence of tax revenue will be fairly stable and consequently reduce the government venues.

Wagners theory postulates that the government expenditure increases as a result of industrial and economic growth in a country. This theory further emphasizes that there is both an absolute and a relative expansion of the public sector at the cost of the growth in the private sector. Bird (1971) justifies this postulation based on three evidences. That is, the administrative and protective functions of the government would require huge capital expenditure outlay; there will be the need for increased provision of social and cultural goods and services as the industrial sector grows; and the government expenditure would be needed to manage and finance natural monopolies and ensure smooth operation of the market forces. Furthermore, the industries set up by the private sector will look forward to the government's involvement in ensuring sustainability and effectiveness through the provision of the key facilities such as:

infrastructures, health services and security. The provision of these facilities will involve an increase in government expenditure. Therefore, the main postulation of the Wagner's theory is that government expenditure usually increases to match the growth rate of the industrial sector of the country.

The Concept of Accountability

The concept of accountability has a long transition in both political science and accounting. In political science, John Locke's theory of the superiority of representative democracy built on the notion that accountability is only possible when the governed are speared from the governors (Staftan, 2009). As a concept in ethics and governance with several meanings, accountability is often used synonymously with such concept as responsibility, answerability, blame worthiness, liability and other terms associated with the expectation of account giving. As an aspect of government, it has been central to discussions related to problems in the public sector (not for profit organization) and private. Accountability is defined by Tetlock (1992) as the implicit or explicit expectation that individuals may be called on to justify their judgment and decisions to others. Accountability is all about holding and ensuring that steward with resources entrusted in one's care is collectively and individually executed towards the objectives of the owners of resources.

Accountability is all about being answerable to those who have entrusted their resources to others. Thus it is an obligation to demonstrate that work has been conducted in accordance with agreed rules and standards and the officer reports fairly and accurately on performance results vis-a-via mandated roles and or/plans (Adegite, 2010). It is also interpreted to mean doing things transparently in line with due process and the provision of feedback. Public accountability is an essential component for the functioning of our political system (Johnson, 2004). This means that those who are charged with drafting and/or carrying out policy should be obliged to give an explanation of their actions to their electorate.

According to Ola and Effing (1999) accountability refers to the ability to furnish satisfactory analysis and explanation of one's actions in the process of discharging ones responsibilities at all levels whether technical or administrative, political, financial or otherwise. Ola and Effing (1999) further explains accountability thus; every steward is held accountable to the persons or body which he entrusted resources to him/her whether the latter is a superior steward or the ultimate owners. Accountability place two obligations upon a stewards, he must render an account of his dealing with the relationship resources and then he must submit to an examination (usually known as an audit) of that account by or behalf of the persons or body whom he is accountable. This means that he must not only allow the audit to take place, but he must provide the evidence from which the auditor can verify the account rendered.

While Appah (2009) points out that the number and monetary value of public sector activities has increased substantially. This increase in activities has brought with it an increased demand for accountability of public officers who manage these activities of the public. Serious consideration is being given to the need to be more accountable for the often vast amount of investments, which exercise administrative and political authority over the actions and affairs of political units of people. Government spending is a very big business and the public demands to know whether the huge outlays of money are being spent wisely for public interest.

However, the issues of accountability in Nigeria are fundamental problems because of the high level corruption in all level of government in the country. The Transparency International global Corruptions Perception Index (CPI) in October 2010 ranked Nigeria 134 from its 130 position in 2009 and 121 in 2008. The CPI, drawn on a scale from 10 (high clean) to 0 (highly corrupt), showed that Nigeria scored 2.4 and ranked 134 amongst the 178 countries surveyed. According to Oladoyin*et al.* (2005) transparency is a moral virtue which stresses sincerity, truthfulness and openness. Since operators of the public sectors are trustees in a sense, they necessarily must be honest, otherwise, they will abuse the confidence and trust reposed in them by the general public and this will ultimately lead to lack of confidence in the essence of local governments.

Premchand (1999) observed that the capacity to achieve full accountability has continued to be inadequate partly due to the design of accountability itself and partly because of the widening range of objectives and associated expectations attached to accountability. He further argues that if accountability is to be achieved in full, including it constructive aspects, then it must be designed with care. The objective of accountability should go beyond the naming and shaming of official or the pursuit of sleaze, to a search for durable improvement in economics management to reduce the incidence of institutional recidivism. The future of accountability consists in covering the macro aspects of economic and financial sustainability, as well as the micro aspects of service delivery. It should envisage a three-tier structure of accountability that of official (both political and regular civil employees), that of intra-governmental relationship and that between government and their respective legislatures.

The Concept of Transparency

Transparency is an inclusive concept that requires loyalty, faithfulness, allegiance and dependability (Olowu, 1993). In this vein, operator of public sector should be faithful and dependable. This is because the services of accountant, auditors, revenue officers and other operators in the system depend greatly on faithfulness, dependability, trust and fairness.

Papefub and Schaefer, (2010) defined transparency as the extent to which all stakeholders have a shared understanding of, and access to the information they request, without loss, noise, delay and distortion. Transparency is regarded as an element of good governance (Addink, 2005). Well-functioninggovernment bodies should not be only effective, democratic and legitimate but also transparent. Transparency is even argued to be substitute for accountability as a check on government abuse. Public control is to be implemented directly through transparency and not indirectly through representatives or autonomous bodies. In that sense, transparency does not result from democratic values but becomes a value of its own (Heald, 2006).

Pasquier and Jean-Patrick (2007) stated that the cultures of transparency and secrecy are rooted in historical traditions and traditional state-society relation. Institutional rules result from historical trajectories. Generally, those in power have tended to consider public information their own property and not that of the citizen. Therefore, they have been hesitant to make such documents accessible to the public. Furthermore, bureaucratic organizations are by nature hierarchical, introverted and risk adverse, and "public service organizations are little inclined to disclose the information at their disposal" (Pasquier& Jean-Patrick, 2007). At the same time, because transparency is regarded as a core value of new information and communication technologies that is now growing exponentially in use (Beniger 1986; Meijer 2009; Nora &Minc 1980;Welch & Wilson 2001), these new technologies are challenging historical traditions and bureaucratic cultures and raising new institutional uncertainties. The class between these value orientations results in contextual and specific conditions and stakeholder constellation are influencing the outcome of the confrontation between old and new value orientations.

Principles of Accountability and Transparency

The people in positions of responsibility owe a duty to be efficient in the acquisition and utilizations of resources and to be transparent and accountable to those that put them there. To be efficient they are expected to abide by the principles of transparency and accountability. Muhammed (2005) outlines seven principles of accountability and transparency. They are integrity, objectivity, timeliness, competence, accuracy, care and promises keeping. Integrity is an element of character represented by soundness of moral principles, uprightness and honesty (Cooks & Winkle, 1976). According to Hama, Romle and Ezzat (2015) integrity can accommodate in advertent error and honest difference of opinion but cannot accommodate deceit or subordination of principles. Objectivity is when someone is under obligation to be fair to all. Hama *et al* (2015) opine the objectivity is a state of mind; a quality that lends values to someone service and its principles is an obligation to be impartial, intellectually honest and free from conflict of interest.

Therefore, the person is required not to allow personal sentiments to override his/her sense of reasoning or guide his/her conduct. Timeliness is about giving account as and when needed, as undue delay can cause financial losses not only to the organization but also to the owners of the resources. Not rendering timely accounts is tantamount to not being accountable. Competence is the possession of all the necessary qualification (academic and professional), skills and experience that will enable managers of resources to carry out their responsibilities effectively. The last principles of accountability as cited by Muhammad (2005) is promise keeping as trustees who have entered into a contract to manage the resources of others those in the positions of responsibility are required to sincerely abide by the terms of the contract in the conducts of their affairs.

Relationship between Accountability, Transparency and Expenditure Management

Accountability reflects the needs for government and its agencies to serve the public effectively in accordance with the provision of the laws of the land. Chi-Chi and Ebimobowei (2012) pointed out that number and monetary value of public sector activities has increased substantially. This increase in activities has brought with it an increased demand for transparency of public officers who manage these activities. Effective framework of transparency depends on formal structure of proper environment. It requires such things as existence of proper code of conduct, training in ethics, unforgiving accountability of senior officers. It also means that the oversight bodies should adopt a reasonable attitude towards managing public expenditure.

Accountability thus becomes important and relevant because agents have to properly demonstrate to the satisfaction of the principals that they have exercised the power conferred and achieved the agreed goals and objectives, by using the resources provided effectively and efficiently. In the case of the public sector, as observed by Inanga (1991), accountability requires government to answer to the citizenry to justify the sources and utilization of public resources".

This is imperative as the citizenry no doubt, has a right to know, a right to receive openly declared facts and figures (transparency) which would enable them to debate and analyze how the public money are been expended and managed by those entrusted with.

Expenditure in Nigeria involves all the expenses which the public sector incurs for its maintenance for the benefit of the economy and external bodies. The expenditure financial management also concerns with the planning, organizing, procuring and utilizing government financial resources as well as the formulating of appropriate policies in order to achieve the aspiration of members of the society. These expenditures are largely exercised, managed and controlled by the warrant system.

To stress the interplay between accountability and transparency in managing public expenditure, it is very essential that accountability and transparency discipline is imposed at each stage or level of government otherwise expenditure management will be impossible among public office holders. The basic goals of public expenditure management are accomplishing macro financial discipline, strategic priorities (productive resource allocation) and functional application (technical productivity). All three goals have very strong interaction (World Bank, 1998) both theoretically and practically, these three objectives are complementary and interdependent, without fiscal discipline, it is impossible to achieve effective prioritization and implementation of policy priorities and program.

A good expenditure management process move beyond the usual concept of line item expenditure control, providing incentives and flexibility to management that can lead to improved program efficiency and effectiveness. It serves as a mirror through which the image of accountability can be made transparent. However, by simply having annual budget expenditure, the budget is usually not enough to ensure that government objectives are met as such the issue of accountability and transparency in the process must not be left behind. Therefore, it is pertinent to inculcate the culture of accountability and transparency in all dealings of public expenditure management in all aspect public sector financial management.

Achieving Accountability in the Public Sector

Chi-chi and Ebimabowei (2012) opined that accountability in the public sector can be achieved through the legislature.In Nigeria and other developing countries, legislatures have the constitutional responsibility to ensure that the executive are accountable to the people for the management of public funds. In practice, the reverse is the case in Nigeria, where the legislatures are part and parcel of the collapse of the system. Legislators at all level of government must ensure that appropriate laws and oversight functions are properly performed by them.

Another variable of achieving proper accountability is reorientation of value systems on the fundamental problems in Nigeria due to the failure of the value system. This failure has resulted into high level of corruption and lack of accountability by public officers. According to Adegite (2010), that corruption tendency pervade the strata of the Nigerian society so much so that youths, who are supposed to be the leaders of tomorrow, are neck deep in examination malpractice, 419 and internet fraud. He further recommends that for Nigeria to be among the most developmented economies in 2020, the nation's value system should be strengthened through the reintroduction of civics and ethics into the curriculum of our educational system while national reorientations for the rebirth of our value systems should be urgently initiated. He also highlighted the issue of management accountability in the Nigeria public sector accountability law.

Conclusion

Consequently, one can discern the following points: proper accountability framework would require government to put guidelines for preparing and approving work plan, method of monitoring plans, reporting performance, system validation and oversight of performance reports, establishing and resourcing public accountability institutions, training public managers and guidelines for dealing with political institutions by public managers. Accountability can also be achieved in the Nigerian public sector through protection of whistleblowers. That is, an effective framework of accountability that requires those who blow the whistle should be protected against reprisal. The government in Nigeria should also establish appropriate laws to protect the whistleblowers thereby creating conducive environment for accountability. It requires such things as existence of a code of conduct, training in ethnics, appearance of equal treatment by senior managers towards all employees, and unforgiving accountability of senior officers. It also means that the oversight bodies should adopt a reasonable attitude towards public managers.

Achieving accountability through the adoption of International Public Sector Accounting Standards: The success of accountability in the public sector in Nigeria lies on the proper implementation of the International Public Sector Accounting Standard (IPSAS). However, public sector organization in Nigeria uses the cash basis of accounting. It is necessary that ministries, developmental agencies should begin to use the accrual basis of accounting (Chi-chi&Ebimonowei, 2012). A complete accrual basis of accounting would make public managers accountable for recording and safeguarding of public assets, managing public cash flows and disclosing and discharging public liabilities. Adegite (2010) says that to attract foreign direct investment (FDI) in Nigeria, the financial reporting processes must be aligned with international standards.

Accountability can also be achieved through public performance reporting. Public managers are in a business that affects virtually every aspect of a people's life. People therefore, have the right to know how public managers are doing their business. The legislators need to take a lead in this regard and enact necessary laws to make it obligatory for all public entities to report on their performance. Public reporting on performance of departments or programmes should be made mandatory.

It can also be achieved through changes in the structure of government accounting and auditing. Chi-chi*et-al* (2012) opined that government accounting systems in Nigeria is grossly deficit. They also conclude that financial reports are outdated and unreliable at all levels of government. Little attention is paid to financial accountability in the public service. Achua (2009) posit that there is need to protect the commonwealth from poor performance and fraud, and to protect individuals from lawless, arbitrary and unreliable actions by the states surrogate administrators. Therefore, there's need to restructure the public sector accounting system taking into consideration the frailties and flaws of government accounting in Nigeria. Adegite (2010) also says the rapid development and changes that have taken place in the nation's public sector since 1958. It is urgently necessary to have a comprehensive revision of entire audit laws of the country with a view to aligning them with current realities and demands of globalization.

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