

Comparative Analysis of Economic Development Planning and Development Budgeting in Nigeria

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Abstract

The malaise of Nigeria underdevelopment has been attributed to inept economic development planning and budget execution. It is against this backdrop, that this comparative analysis explores the dynamic of economic development planning and development budgeting in Nigeria. The research method employed was the qualitative analytical method which involved content analysis of relevant documentary data on the subject. The approach adopted was also thematic. It examines the synergy between these two facets, delving into historical contexts, policy framework, and institutional structures shaping the nation's approach to development. By evaluating successes, challenges, and the impact on socio-economic indicators, the analysis aims to promote insights into optimizing the alignment between development planning and budget implementation.

Keywords: Economic, Development, Planning, Budgeting and Nigeria

Introduction

Nigeria, with a land mass of 924 square kilometers and an estimated population (2017) of about 190 million is a complex country. Its complexity arises partly from its more than 350 ethnic groups, and multi-religion.¹ Nigeria is also Africa's largest economy, with an estimated 2017 gross domestic product (GDP) of 400 billion USA Dollars, constituting 71 percent of West Africa's GDP and 27 percent of the continent's GDP.² The country's economy is highly dependent on oil, which makes up over 90 percent of export and 70 percent of government revenues. More so, Nigeria is a member of the Organization of Petroleum Exporting Countries (OPEC), and was the fifteenth-largest oil producer in the world in 2016, with the world's eleventh-largest oil reserve and ninth-largest natural gas reserves.³

However, Nigeria's natural resources wealth has not served its population well because certain key institutions remain weak or non-existent. Almost everything is politicized in Nigeria: population census, budget planning and implementation, *et cetera*. In Nigeria, the intersection of economic development planning and development budgeting plays a pivotal role in shaping the trajectory of the nation's progress.

Historically, Nigeria has grappled with the challenge of translating ambitious development plans into tangible outcomes, often reflected in the budgetary allocations and expenditures. The evolution of economic development planning in Nigeria has seen the formulation of various national development plans, each aspiring to address socio-economic challenges and propel the country towards sustainable growth. The post national development plans in Nigeria include, the First National Development Plan (1962-68); the Second National Development Plan (1970-74) the Third National Development Plan (1975-80) and the Fourth National Development Plan (1981-85). Despite numerous efforts initiated since the late 1980s to formulate a fifth national development plan, all endeavours proved unsuccessful. Concurrently, the budgeting process, a practical manifestation of these plans, allocates resources to specific projects and sectors, serving as the financial blueprint for executing the envisioned development goals.

This study seeks to explore the historical evolution of economic development planning and development budgeting in Nigeria, considering the policy frameworks, institutional structures, and implementation mechanisms. By conducting a comparative analysis, the research aims to unravel the efficacy of aligning planning objectives with budgetary allocations, identifying areas of convergence or divergence, and offering insights for refining these processes to catalyze robust and inclusive economic development in Nigeria.

Definition of terms

It is necessary to begin this paper by defining key terms used in it. In this essay, 'development', a term which has been defined variously by different people and has been a subject of many theories. Here, we

shall see 'development' from the point of view of Dudley Seers, as when a country experiences a reduction or elimination of poverty, inequality and unemployment. According to Dudley Seers, the questions to ask about a country's development are therefore: What has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels, then beyond doubt this has been a period of development for the country concerned. If one or two of this central problems have been growing worse, especially if all three have, it would be strange to call the result "development" even if per capita income doubled.⁴

Another term that needs to be define is “development planning”, refers “as a long-term programme designed to effect some permanent structural changes in the economy is connected with the involvement of government in the economy whereby it sets out objectives about the way it wants the economy to develop in the future and then intervenes to try to achieve those objectives.”⁵ Development planning encompasses procedures that guarantee the realization of national policies and strategies, integrating development concerns at all levels seamlessly into the overarching national development priorities. While “budget” is a comprehensive document that outlines what economic and non-economic activities a government wants to undertake with special focus on policies, objectives and strategies for accomplishments that are substantiated with revenue and expenditure projections.⁶ On the other hand, “development budgeting” refers to the strategic process of allocating financial resources to specific projects, programs, and initiatives aimed at fostering economic growth, infrastructure development, and overall societal progress within a specified period.⁷ This budgeting approach focuses on funding projects that contribute to long-term development goals outlined in national plans, ensuring effective utilization of resources to achieve sustainable development.

The nexus between economic development planning and development budgeting

The interconnected relationship between economic development planning and development budgeting is a crucial aspect of effective governance and sustainable growth. The nexus revolves around the alignment of strategic goals outlined in economic development plans with the financial allocations and expenditures detailed in the development budget. It involves a dynamic process of translating overarching development objectives into actionable projects and programs, supported by allocated financial resources.

Economic development planning sets the strategic vision, outlining the priorities, goals, and policies aimed at fostering overall economic progress. Development budgeting, on the other hand, implement these plans by allocating funds to specific projects and initiatives.⁸ The nexus emerges as the two processes converge to ensure that the budget reflects and supports the strategic priorities outlined in the economic development plan.

This connection is pivotal for several reasons:

- i. **Strategic alignment:** It ensures that budget allocations are strategically aligned with the developmental goals, policies, and priorities identified in the economic development plan.
- ii. **Resource allocation:** The budget becomes a tool for allocating resources efficiently, directing funds to projects and sectors that contribute most significantly to economic development objectives.
- iii. **Implementation framework:** The nexus establishes a framework for translating plans into actionable steps, providing a roadmap for the effective implementation of development initiatives.
- iv. **Accountability and evaluation:** By linking economic development planning with development budgeting. It enhances accountability, as progress and outcomes can be evaluated based on the alignment between planned objectives and budgetary allocations.
- v. **Adaptability:** The connection allows for adaptability, enabling adjustments in budgetary allocations to respond to changing economic conditions, emerging priorities, or unforeseen challenges.

In essences, the nexus between economic development plans and development budgeting forms the backbone of a country's strategic approach to sustainable development, ensuring that financial resources are deployed in a manner that maximizes their impact on overall economic growth and societal well-being.

Overview of the National Development Plans in Nigeria

i. First National Development Plan (1962-1968): The First National Development Plan marked Nigeria's first attempt at comprehensive economic planning after gaining independence in 1960. It reflected the optimism and aspirations of the newly independent nation to achieve economic self-sufficiency and social development. The primary objective was to lay the foundation for economic development by addressing infrastructural deficits and promoting key sectors like education and industry.

The achievements of the plan include, the establishment of new educational institutions, contributing to human capital development; several industrial projects were initiated to stimulate growth and diversification; and investment in infrastructure projects, including roads and energy, were aimed at facilitating economic activities. However, some of the challenges of the plan include implementation challenges and resource constraints. Some projects faced delays and difficulties in implementation, limiting the plan's overall impact.

ii. Second National Development Plan (1970-1974): The Second National Development Plan was formulated to address the aftermath of the Nigeria Civil War (1967-1970) and focused on post-war reconstruction and economic recovery. The primary goal was to rebuild and rehabilitate the economy, which had been severely affected by the civil war. The plan aimed at achieving rapid economic growth and development.

Achievements of the plan include infrastructural reconstruction, agricultural interventions and regional development. Again, resource limitations and logistical challenges are some of the challenges faced by the plan.

iii. Third National Development Plan (1975-1980): The Third National Development Plan aimed at accelerating economic growth and social development, with a focus on reducing poverty and enhancing the quality of life for Nigerians. Recognizing the vulnerability of the economy to external shocks, the plan emphasized diversification by promoting sectors beyond oil, such as agriculture, and services. A significant aspect of the plan was the emphasis on human capital development through increased investments in education, healthcare, and social services. The plan, also, prioritized rural development initiatives, aiming to uplift rural communities and reduce disparities between urban and rural areas. It also focuses on infrastructural development, with projects aimed at improving transportation, communication, and energy infrastructure across the country.

The plan recorded some successes in the area of agricultural growth, where initiatives led to increased agricultural output, contributing to food security and rural development. It also recorded successes in the areas of human capital investments, and infrastructural development. However, external factors, particularly the volatility of oil prices, posed challenges to revenue projections and plan implementation. Some projects faced delays and challenges in execution, affecting the overall success of the plan.

iv. Fourth National Development Plan (1981-1985): The Fourth National Development Plan was formulated against the backdrop of economic challenges, including a decline in oil prices, high inflation, and external debt. The plan aimed to address economic imbalances, promote self-reliance, and achieve sustainable development in the face of adverse economic conditions. Recognizing the vulnerability of the economy to oil price fluctuations, the plan emphasized diversification into agriculture, solid minerals, and manufacturing. The plan continued emphasis on infrastructure development, including transportation, energy and communication projects, to support economic activities. It prioritized initiatives to generate employment opportunities, particularly in sectors targeted for diversification. The plan also made efforts to reduce urban-rural disparities through targeted rural development projects and programs to uplift rural communities.

The plan faced some challenges, such as, external debt due to a substantial external debt burden, affecting the availability of funds for development projects; and implementation difficulties, such as delays and obstacles, limiting the successful execution of the planned initiatives.

v. National Economic Empowerment and Development Strategy (NEEDS) (1999- 2007): The National Economic Empowerment and Development Strategy was a comprehensive economic reform program implemented in Nigeria from 1999-2007. It was launched in 2004, less than five years of transition from military to civilian rule, reflecting a commitment to economic transformation and poverty reduction. The primary objectives were poverty reduction, economic growth, job creation, and the creation of a diversified and globally competitive economy. The key components include

macroeconomic reforms, private sector development, human capital development, and infrastructural development.

The succession of the NEEDS includes economic development, which witnessed some economic growth, with improvements in GDP and certain sectors. Nigeria also secured debt relief under the heavily indebted poor countries (HIPC) initiative, reducing the country's external debt burden. The full implementation of NEEDS faced challenges, including bureaucratic bottlenecks, corruption, and a lack of effective monitoring and evaluation. There were also infrastructure deficits, hindering the pace of economic development. More so, the benefits of economic growth were not evenly distributed, contributing to persistent social inequality.⁸

The Problem of Development Planning in Nigeria

Despite the multitude of national development plans in Nigeria, significant development gaps persist, marking a troubling trend. Despite years of planning, the envisioned sustainable developments remain elusive. Arguably, the complexity of development planning in Nigeria is exacerbated by the limited emphasis on sustainable development in successive government agendas. The absence of a genuine commitment to a comprehensive development agenda has hindered the country's progress towards a sustainable development path. Indeed, the issues surrounding development in Nigeria are intricate. Challenges include inefficient implementation mechanisms, insufficient funding allocation, bureaucratic obstacles, and the struggle to ensure consistent and meaningful progress. Additionally, factors like political instability and changing priorities contribute to the complexity and sustained development.

Inefficient implementation mechanisms: In Nigeria, one notable problem within development planning is the inefficiency in implementation mechanisms. Despite well-formulated plans, challenges such as bureaucratic bottlenecks, corruption, and inadequate monitoring hinder effective execution. This inefficiency often results in a gap between planned objectives and actual outcomes, impeding the country's progress toward sustainable development. Addressing and streamlining implementation processes is crucial to overcoming this obstacle and ensuring the successful realization of developmental goals in Nigeria.

Insufficient funding allocation: Insufficient funding allocation poses a significant challenge to development planning in Nigeria. While plans may outline ambitious goals, the lack of adequate financial resources hampers their effective execution. This issue leads to compromised infrastructure, delayed projects, and an overall inability to meet developmental targets. Addressing this challenge requires strategic efforts to increase budgetary allocations, explore alternative funding sources, and enhance financial management practices to ensure that the envisioned plans can be adequately supported and implemented for sustainable development in Nigeria.

Bureaucratic obstacles: Bureaucratic obstacles present a notable challenge in the context of development planning in Nigeria. Cumbersome administrative processes, red tape, and delays in decision-making within the government bureaucracy impede the smooth execution of development initiatives. This bureaucratic inertia hampers the timely implementation of projects outlined in development plans, contributing to a gap between intentions and actual outcomes. Streamlining administrative procedures and fostering a more responsive and efficient bureaucracy are essential steps toward overcoming this obstacle and promoting effective development planning in Nigeria.

Political instability and changing priorities: Political instability and shifting priorities are significant challenges in the realm of development planning in Nigeria. The unpredictability of political landscapes and frequent changes in leadership often resulted in altered developmental agendas and priorities. This inconsistency disrupts the continuity of projects and programs, leading to a lack of sustained focus on long-term objectives. Overcoming this challenge requires fostering political stability, establishing bipartisan consensus on developmental priorities, and ensuring a more consistent and enduring commitment to the implementation of development plans in Nigeria.

Conclusion

The paper set out to examine the comparative economic development planning and development budgeting in Nigeria. The study underscores the intricate relationship between strategic vision and fiscal allocation. While development plans articulate ambitious goals, the effective translation of these aspirations into actionable initiatives hinges on well-structured and adequately funded budgets.

Persistent challenges, including inefficient implementation mechanisms, insufficient funding allocation, bureaucratic obstacles, and the impact of political instability, highlight the need for comprehensive reforms. Addressing these issues requires a holistic approach that integrates robust planning, transparent budgetary processes, and a commitment to long-term, sustainable development, ensuring Nigeria's journey towards economic prosperity and societal well-being.

Endnotes

¹ Ngozi Okonjo-Iweala, *Fighting corruption is dangerous: The story behind the headlines* (London: The MIT Press, 2018), xv-xvi.

² Okonjo-Iweala, *Fighting corruption is dangerous: The story behind the headlines* (London: The MIT Press, 2018), xvi.

³ Okonjo-Iweala, *Fighting corruption is dangerous: The story behind the headlines* (London: The MIT Press, 2018), xvii.

⁴ Dudley Seers, "The Meaning of Development" *Institute of Development Studies, Communication Series No. 44* (1969), 17.

⁵ E. O. Ojo, "Constraints on Budgeting and Development Plan Implementation in Nigeria: An Overview". *European Journal of Sustainable Development*, 1(3), (2012): 445-456.

⁶ S. C. Ugoh, & W. I. Ukpere, "Problems and Prospects of Budgeting and Budget Implementation in Local Government System in Nigeria", *African Journal of Business Management*, 3(12), (2009), 836-846.

⁷ Emeka C. Iloh, "Budget Processes and Participatory Budgeting in Nigeria: Lessons from Latin America", *ANSU Journal of Arts and Social Sciences*, Vol. 5 No. 1 (2016): 135-154.

⁸ For more details see Aisha Mohammed, *Information and data for the preparation of the 2020 report on the determination of the needs of developing country parties related to implementing the convention and the Paris agreement: A case study of the prolematic nature of development plan in Nigeria as compiled* (Asabe Shehu Yar'adua Foundation, 2020).