

Democracy, social protection and cost of governance in Nigeria

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Abstract: *The paper aims at assessing the cost of governance and social protection in Nigeria. The methodology adopted by the paper involves the use of quantitative data for 9 years, from 2002 to 2010, which was generated from the annual report and accounts of the Central Bank of Nigeria. The data generated for the study was analyzed using graphs and simple percentage analysis. The finding of the paper shows that Cost of governance in Nigeria has greatly increased due to unnecessary increase in the number of government agencies, high number of Commissioners, Special Advisers, Special Assistants and Personal Assistants, jumbo pay of political office holders, payroll fraud as a result of ghost workers, high number of official vehicles irrespective of the monetization policy of the government, incessant foreign trips, existence of security vote and extra-budgetary expenditure. It was identified that only 7.5% of the sum was put to poverty alleviation (Social protection). Thus, questioning the cost minimization strategies and revenue assurance mechanisms in the States. Similarly, the trend of Extra-Budgetary Expenditure put to question the implementation of budgets at the States. The paper concludes that the task of reducing cost of governance does not rest on the executive, legislature and judiciary alone. It is a task demanding the collective effort of all stakeholders. Finally, the paper recommends that there is the need to reduce recurrent expenditure to sustainable level through reducing waste, inefficiency, corruption and duplication in government, as well as, make capital spending more effective and ensure even redistribution of wealth..*

Key words: *Budgetary Expenditure, Social Protection, Capital Expenditure, Recurrent Expenditure.*

I. Introduction

Nigeria's independence in 1960 from Britain was greeted with keen interest. Its governance structure is comprised of 3 tiers, namely the federal, state and local governments. As at 2013, the Country has a total of 36 states, with a Federal Capital Territory located in Abuja and 774 Local governments.

Every government, be it federal, state or local government, is established with a view to providing social services that would improve the general well being of its citizenry. For every government, therefore, to achieve its objectives, it is required to adopt measures which would ensure effective revenue generation, as well as, judicious utilization of resources at its disposal.

Public governance may be define as use of political authority to promote and enhance societal values-economic as well as non-economic- that are sought by individuals and groups. It is the processes whereby values in society, at different levels, are realized. On the other hand, Revenue Assurance (RA), is about improving revenues and cash flows and eliminating leakages, excesses, abuses and fraud, as well as, minimizing operating cost. Thus, RA in public governance is meant to reduce the excessive share of the budget being allocated to personnel and overhead costs; reduce the cost of governance in general; improve resource management by curtailing wasteful expenditure and increasing the level of productivity and efficiency, and ensure budget discipline (adherence to limits). There is a wide consensus that good governance must lead to broad-based inclusive economic growth and social development. It must enable the state, the civil society and the private sector to enhance the well being of a large segment of the population.

A number of studies have exposed many areas of wastages and fund leakages in the public budget, at all levels of government in Nigeria in the last 12 years of democracy (Adeolu and Evans, 2007; Hamid, 2007; Nurudeen and Usman, 2010; Hamid, 2011; Kalama, Etebu, Charles and John, 2012; and Nzeshi, 2012). In fact, it has become evident that the much-dreaded corruption in the public service exemplified by the looting of public funds starts with the budget. It is an open secret that senior civil servants are some of the richest persons in Nigeria today even though their stupendous wealth cannot be equated with their legitimate wages (Nzeshi, 2012).

It is common that audit reports in Nigeria, at all levels, reveal flagrant disregard to rules and procedures, overthrow of financial discipline, accountability, probity and transparency, which the treasuries were set-up to establish and protect. These abuses/breaches range from varied duplication of contracts, over-valuation of contracts, fictitious payments of contracts, non certification of payment vouchers by the internal auditor, among others. Other fraud in treasury activities may include over payment to existing staff, payment of

salaries and allowances to dead or retired staff and ghost workers. These are clear manifestations of the collapse of standard policy and practices in treasury departments, and hence the inability of most governments to achieve their objectives. Standard treasury management policy and practice is, therefore, particularly essential in governance in Nigeria, with a view to being proactive in preventing persistent lack of efficiency and effectiveness that characterized financial activities in the public sector, resulting in fraud (Hamid, 2011).

In Nigeria, costs associated with the running of government have increased dramatically over the years such that an increasingly higher proportion of public revenue is used to support and implement the primary functions of government (Adeolu and Evans, 2007). Rising government expenditure has, therefore, not translated to meaningful development as Nigeria still ranks among world's poorest countries.

In recent years, everyone in and out of government in Nigeria seems to agree on the need to cut the cost of governance, by eliminating areas of wastages in the budget and the unexplored opportunities of entrenching prudence. Many Nigerians want governments across the three tiers to reduce the cost of governance so that more resources could be channeled towards development projects that impact positively on the quality of lives of the citizenry. But the call for cutting the cost of governance became more pronounced during the protests that greeted the removal of fuel subsidy on January 1 2012.

The paper aims at assessing cost of governance and revenue assurance mechanisms at states level in Nigeria. The methodology adopted by the paper involves the use of quantitative data for 9 years, from 2002 to 2010, which was generated from the annual report and accounts of the Central Bank of Nigeria. The data generated for the study was analyzed using graphs and simple percentage analysis. Structurally, the paper is organized in to five sections. In the second section, an attempt is made to conceptualize governance, and point to the differing notions of what it entails and the differences between good and bad governance. Section three contains a concept of governance in Nigeria and its overview from 1960 to date. Section four explain cost of governance and revenue assurance at states level using quantitative data of 9 years from 2002 to 2010 and section five concludes with a recap of issues that involve the reducing cost of governance at state level in Nigeria for revenue assurance.

II. Literature Review

1.0 The Concept of Governance

Governance is seen as the manner in which power is exercised in the management of a country's economic and social resources for development. It is the use of political authority and exercise of control over a society, and the management of its resources for socio-economic development. This entails that governance has to do with sound management of public resources of which public fund is a crucial component.

Good governance, therefore, is pre-occupied with how to achieve a high standard of living for its populace by employing every strategy within the constitutional provision. It is in this vein that Section 16 (1) of the 1999 Constitution states that, "the state shall, within the context of the ideals and objectives for which provisions are made in the constitution: (a) harness the resources of nation and promote national prosperity and an efficient, dynamic and self-reliant economy; (b) control national economy in such a manner as to secure the maximum welfare, freedom and happiness of every citizen on the basis of social justice and equality of status and opportunity; and (c) that suitable and adequate shelter, suitable and adequate food, reasonable national minimum living wage, old age care and pensions, and unemployment, sick benefits and welfare of the disabled are provided for all citizens." From this discourse, it is clear that the essence of governance is the socio-economic development of a state and the improvement of the general well being of the citizenry.

2.1 Cost of Governance

Public expenditure refers to the expenses which government incurs in the performance of its operations. With increasing state activities, it may be easy to judge what portion of public expenditure can be ascribed to the maintenance of government itself and what portion to the benefit of the society and the economy as a whole.

Government expenditure is broadly divided in to two (2) main categories, namely recurrent expenditure and capital expenditure. Recurrent expenditure is the type of expenditure that happens repeatedly on daily, weekly or even monthly basis. This includes for example payment of pensions and salaries, administrative overheads, maintenance of official vehicles, payment of electricity and telephone bills, water rate and insurance premiums etc. Capital expenditure on the other hand refers to expenditure on capital projects. This includes construction of houses, roads, schools and hospitals, human capital development (expenditures on education and health), purchase of official vehicles, construction of boreholes and electrification projects, etc.

Public finance literature in consensus that cost of governance is associated with current expenditure, which is the expenditure ascribed to the maintenance of government itself and not for the benefit of the society and the economy as a whole. Some scholars argue that increase in government expenditure on socio-economic and physical infrastructures encourages economic growth. For example, government expenditure on health and

education raises the productivity of labour and increase the growth of national output. Similarly, expenditure on infrastructure such as roads, communications, power, etc, reduces production costs, increases private sector investment and profitability of firms, thus fostering economic growth (Nurudeen and Usman, 2010).

A point of consideration is to consider how the State governments' budget is divided strictly between recurrent and capital expenditures. Where a rising proportion of government budget, at whatever level, is used to support the administrative structure of government, poverty is bound to be pervasive as economic growth slows down or even stagnates (Adeolu and Evans, 2007). What this implies is that maintaining government administrative structures comes at gargantuan costs to the economy, as available funds are barely sufficient to finance projects in vital sectors of the economy. Enormous administrative expenditure is not only used to finance an unusually large, inefficient and corrupt civil service personnel, but also a larger than optimal executive cabinet, and an ineffective legislature.

However, citizens would perceive government as a burden when its recurrent expenditure is repeatedly higher than its capital expenditure, which should impact positively on the economy, especially in the areas of employment generation, investment and other activities that induce growth.

III. The Concept Of Poverty And Governance In Nigeria

Poverty is threatening the welfare of the majority of Nigerians who are small-scale entrepreneurs. This has mare Nigerian government's efforts towards achieving the Millennium Development Goal (MDGs) 1 target, which is to "...reduce by half the proportion of people whose income is less than US 1\$ per day between 1990 and 2015". Majority of the poor in Nigeria live in the rural areas and or operate in the informal sector. The informal sector is very important in Nigeria and Africa as a whole. The growth of the informal sector has been exponential in the recent past. It was estimated that 72 percent of the population in Sub-Saharan Africa are in the informal sector (ILO 2002c) and 93 percent of the jobs created in the 1990s were in the informal sector.

3.1 The Overview of Nigeria Governance From 1960 to date

Nigerian governments have been a mixture of different types including civil, democratic and military governments. Nigeria's journey towards the institution of democracy is stabilizing. When Nigeria secured independence in 1960, it began with a parliamentary system of governance with a ceremonial President and a Prime Minister. This system of government was interrupted by a military takeover in 1966 and a civil war, which lasted until 1970. Return to civil rule did not take place until 1979, when a presidential system of government was ushered in. This experiment was interrupted some years later by another military coup which led to another military rule. Nigeria was to continue under military rule from 1984 to 1999, save for a brief interlude of partial civilian rule from 1991 to 1993, known as the Third Republic, which was interrupted again till 1999 when the Fourth Republic started. The first Nigerian civil rule was from 1st October 1960 to January 15th 1966, the average per capita income (PCI) was about \$300. Military governments controlled Nigerian affairs from July 29th 1966 to September 1979. From 1st October 1979 to December, 31st 1983 the second republic was in control and the PCI was \$ 270. From December 31st 1983 to August 27th 1993 the military returned to power and the PCI was \$ 380. From August 27th 1993 to November 19th 1993 appointed civilian rule existed, from November 17th 1993 to May 28th 1999 military rule was experienced and the PCI was \$375; from May 29th 1999 Nigerian government has remained democratic rulership.

Poverty has remained a dominant feature in Nigerian rural and informal sector despite many policies and programmes that have been initiated by successive governments at the national and sub-national government levels aimed at addressing the problem of poverty in the country. For example, between 1960 and 1985, the country embarked on several national rolling plans. In 1986, it switched over to the Structural Adjustment Programme (SAP). By 1994 the country started the policy of Guided Deregulation, and since the return to democratic government in 1999, there has been a steady move towards market-oriented and private sector driven economic policy. These have been articulated in the NEEDS and SEEDS documents of 2003/2004. The government is also experimenting with three-year Medium Term Expenditure Frameworks (MTEF). The Musa Yar'Adua and Goodluck government which came into office in May 2007 and proposed a long term perspective plan, Vision 2020 whose objective is to place the country among the top 20 economies of the world by 2020. Due to demise of Musa Yar'Adua, the Goodluck Jonathan's administration has continued many of these policies designed to achieve economic growth and poverty reduction within target period, as Poverty trend analysis showed.

Per capita GDP fail to as low as \$300 in the early 1990s. Head count poverty increased rapidly from 27% in 1980 to 70% in 1996 before declining to 54% in 2004 (Nigerian Bureau of Statistics [NBS], 2004). Sachs (2002) notes that rural poverty accounts for between 65 and 90 percent of the poverty level in sub-Saharan Africa. It is obvious that the rural sector and small-scale farmers in particular are easily associated with poverty. FOS/World Bank (1997) survey of 1985-1996 similarly shows that poverty among the rural farming households increased from about 55 percent in 1985 to 75 percent in 1996. It was also reported that 31.7 percent

of the urban and 50.0 percent of the rural population lived below the critical poverty line of ₦395.00 as two-thirds of the mean per capital household expenditure. It was reported that by 2001, over 70 percent of the Nigerian population lived below the poverty line of US 1\$ per day (UNDP, 2004).

IV. Cost Of Governace And Revenue Assurance In Nigerian States

Table 1 shows the State Government's finances (in Billion Naira) from 2002-2010. The Table shows that the States had the highest Total Revenue of N2, 943.80 billion in 2008, followed by 2010 and 2009 with N2, 739.40 billion and N2, 590.70billion, respectively. While the lowest amount of total revenue in the years under review was in 2002 with N669.83 billion.

Table 1: State Government's Finances (2002-2010) (Naira Billion)

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 1/ |
|---|---------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| STATE GOVT. FINANCES | | | | | | | | | |
| Total Revenue Plus | | | | | | | | | |
| A Grants | 669.83 | 855.01 | 1,113.96 | 1,419.66 | 1,543.80 | 2,065.40 | 2,943.80 | 2,590.70 | 2,739.40 |
| Share of Federation Account 2/ | 388.30 | 535.18 | 777.21 | 921.00 | 1,016.10 | 1,109.30 | 1,709.20 | 978.38 | 1,353.7 |
| Share of Excess Oil Revenue | - | - | - | - | 154.70 | 258.90 | 354.10 | 376.80 | 329.00 |
| Share of Augmentation | - | - | - | - | - | - | - | 272.80 | 162.90 |
| Exchange Gain | - | - | - | - | - | - | - | 58.90 | 14.80 |
| Share of VAT Internally Generated Revenue | 52.63 | 65.89 | 96.20 | 87.45 | 110.60 | 144.40 | 198.10 | 229.30 | 275.60 |
| Grants and Others | 89.61 | 118.76 | 134.20 | 122.74 | 125.20 | 305.70 | 441.10 | 461.20 | 420.50 |
| Share of Stabilization Fund | 129.72 | 134.18 | 104.35 | 137.45 | 125.30 | 209.40 | 179.00 | 188.00 | 140.40 |
| State Allocation | 9.57 | 1.00 | 2.00 | 10.78 | 11.90 | 37.70 | 53.40 | 29.70 | 42.50 |
| | - | - | - | 140.24 | - | - | - | - | - |
| B Total Expenditure | 724.55 | 921.16 | 1,125.06 | 1,478.60 | 1,586.80 | 2,116.10 | 3,021.60 | 2,777.00 | 2,871.40 |
| Recurrent Expenditure | 424.20 | 545.31 | 556.81 | 789.13 | 894.30 | 1,217.40 | 1,505.60 | 1,426.10 | 1,437.00 |
| Capital Expenditure | 283.48 | 324.02 | 412.93 | 514.73 | 584.00 | 854.80 | 1,455.70 | 1,284.20 | 1,339.00 |
| Extra-Budgetary Expenditure | 16.87 | 51.83 | 155.32 | 174.74 | 108.50 | 43.90 | 60.30 | 66.70 | 95.40 |
| C Current Balance 3/ | 245.6 | 309.69 | 557.13 | 630.51 | 649.40 | 848.00 | 1,429.20 | 1,164.60 | 1,302.40 |
| D Overall Balance 3/ | -54.72 | -66.15 | -11.10 | -58.94 | -43.00 | -50.70 | -86.80 | -186.20 | -132.10 |
| E Financing | 54.74 | 66.17 | 11.12 | 58.96 | 43.00 | 50.70 | 86.80 | 186.20 | 132.10 |
| External Loans | 15.9 | 14.68 | - | - | - | 5.90 | 38.30 | 8.00 | 24.80 |
| Internal Loans | 32.45 | 71.03 | 4.4 | 22.56 | 27.00 | 25.70 | 60.20 | 162.30 | 225.80 |
| Operating Cash Balance | 5.09 | 13.01 | - | 33.26 | 16.10 | 19.10 | -11.70 | 16.00 | -118.50 |
| Other Funds | 1.3 | -32.55 | 6.72 | 3.14 | 16.10 | 19.10 | -11.70 | - | - |

Note 1/Provisional

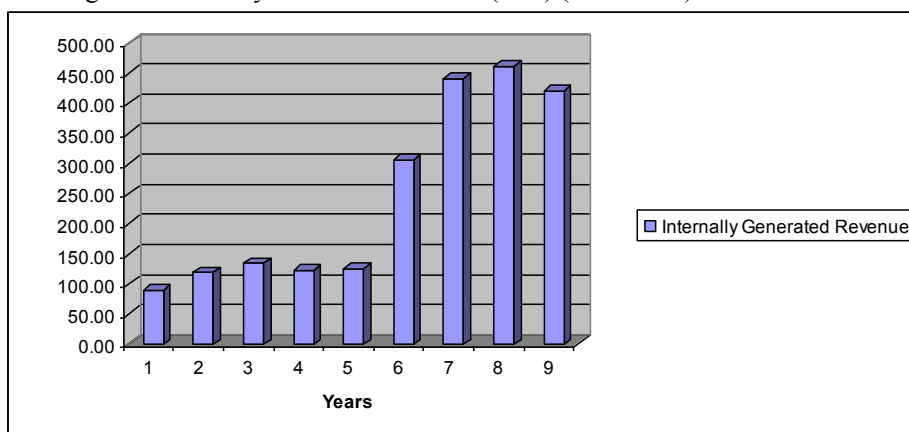
2/Gross Statutory Allocation

3/ Positive (+) sign connotes surplus while (-) sign connotes deficit

Sources: State Govts' Ministries of Finance & Office of Accountant-General of the Federation's Report (2002-2010)

Central Bank of Nigeria Annual Report and Statement of Accounts (2002-2010)

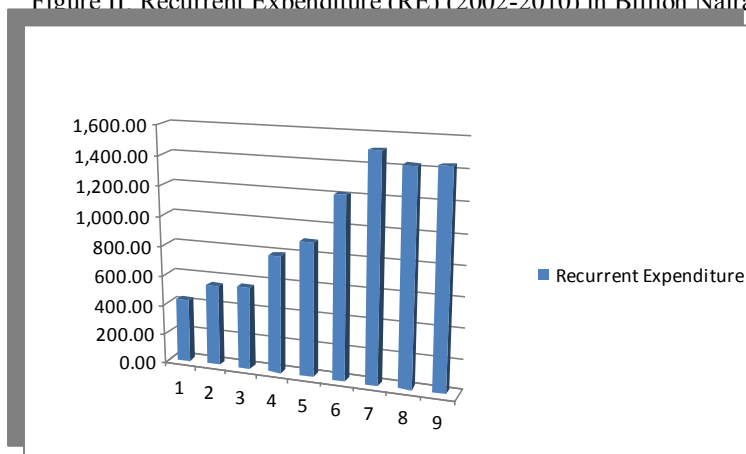
Figure I: Internally Generated Revenue (IGR) (2002-2010) in Billion Naira



Source: Developed by the Author from Table 1

Table 1 and Figure I show the trend on IGR at State level from 2002-2010, with the highest IGR of N461.20 billion in 2009 and the lowest IGR of N89.61 billion in 2002. The Revenue Assurance (RA) based on the IGR between 2002 to 2006 remains relatively low and increased proportionately in 2007. The trend of IGR generally records upwards and downwards movement, questioning generally the Revenue Assurance (RA) mechanisms at the State level. The States therefore need to make concerted effort to ensure steady growth in IGR.

Figure II: Recurrent Expenditure (RE) (2002-2010) in Billion Naira



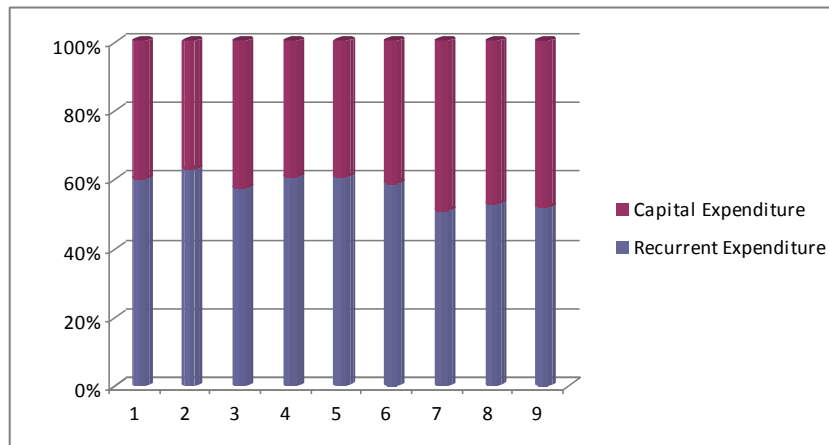
Source: Developed by the Author from Table 1

The trend of recurrent expenditure from 2002 to 2009 shows similar behaviour with that of the IGR. The most worrisome is that the RE far outweighs the IGR in all the 9 years under consideration. This shows an awful scenario that without grant from the Federation Account the States would not have been able to take care of their overhead expenses. This is not good from the point of view of cost minimization and Revenue Assurance at States level.

Kalama, Etebu, Charles and John (2012) found that salaries and allowances currently being enjoyed by political office holders in Nigeria is a breach of Section 70 of the Constitution of the Federal Republic of Nigeria because they are not in accordance with the salary and other allowances as the Revenue Mobilization Allocation and Fiscal Commission determined. In a comparison of jumbo pay of Nigerian politicians with the United State President, Sanusi in Kalama, Etebu, Charles and John (2012) posits that Barak Obama’s salary is \$400,000 per annum, while a Nigerian Senator collects forty million Naira (N40,000,000.00) per quarter, while each member of the House of Representative receives about \$1.2 million dollars per annum” (Kalama, Etebu, Charles and John, 2012). There may likely be similar scenario at States level.

Cost of governance at state level has greatly increased in Nigeria due to unnecessary increase in the number of government agencies, high number of Commissioners, Special Advisers, Special Assistants and Personal Assistants, jumbo pay of political office holders, payroll fraud as a result of ghost workers, high number of official vehicles irrespective of the monetization policy of the government, incessant foreign trips, existence of security vote and extra-budgetary expenditure.

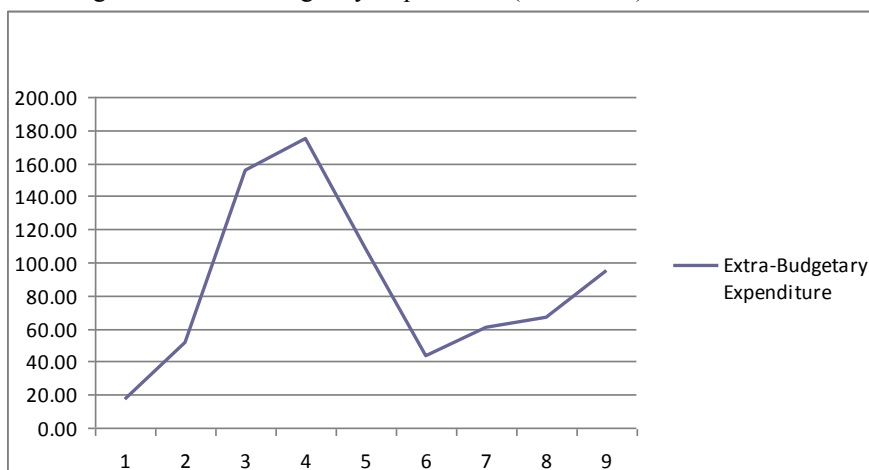
Figure III: Recurrent Versus Capital Expenditure (2002-2010) in Billion Naira



Source: Developed by the Author from Table 1

Figure III shows a discouraging scenario for State Governments expenditure from 2002-2009. Except if from 2008 to 2010, the recurrent expenditure far outweighs the capital expenditure from 2002-2007 with a ratio of about 60:40 in favour of recurrent expenditure. This situation is not good for economic growth and development of the Country. There is, therefore, urgent need for the States to embrace effective cost of governance strategy with a view to executing more developmental projects would have direct impact on the lives of the citizenry.

Figure IV: Extra-Budgetary Expenditure (2002-2010) in Billion Naira



Source: Developed by the Author from Table 1

The trend of Extra-Budgetary Expenditure put to question the implementation of budgets at States. For example in 2005 States had N174.74 billion as Extra-Budgetary Expenditure, which may have been additions to already worrisome recurrent expenditure. This may be in contravention of the provisions of Section 48 of the Fiscal Responsibility Act 2007, which provides that no agency of government, under any guise, is allowed to spend public resources in a way and manner and for purposes not known to citizens. This questions cost reduction mechanisms for better revenue assurance at the States level.

Table 2: Summary of State Governments' and FCT Finances (State-by-State, 2010 1/) Naira Billion

| S/N | STATE | Total Revenue & Other Receipts | IGR | Personnel Cost | Overhead Cost | Capital Expenditure | Extra-Budgetary Expenditure | Total Expenditure |
|-----|-----------|--------------------------------|-------|----------------|---------------|---------------------|-----------------------------|-------------------|
| 1 | Abia | 53.50 | 9.90 | 5.20 | 0.30 | 21.80 | 1.98 | 63.00 |
| 2 | Adamawa | 63.20 | 4.20 | 11.70 | 19.30 | 30.10 | 2.96 | 69.10 |
| 3 | Akwa Ibom | 211.60 | 12.10 | 17.90 | 4.10 | 160.80 | 0.96 | 189.40 |
| 4 | Anambra | 63.30 | 4.80 | 3.70 | 5.00 | 30.70 | 0.69 | 51.10 |
| 5 | Bauchi | 80.40 | 2.30 | 8.10 | 14.30 | 37.40 | 2.00 | 77.20 |
| 6 | Bayelsa | 132.10 | 3.90 | 21.50 | 12.00 | 35.00 | 17.00 | 127.60 |
| 7 | Benue | 54.30 | 8.30 | 14.90 | 8.40 | 25.20 | 3.76 | 59.30 |
| 8 | Borno | 48.50 | 2.10 | 13.10 | 8.00 | 23.90 | 0.23 | 51.90 |

| | | | | | | | | |
|-------|-------------|----------|--------|--------|--------|----------|-------|----------|
| 9 | Cross River | 45.60 | 7.10 | 12.30 | 8.90 | 23.70 | 3.00 | 56.30 |
| 10 | Delta | 179.80 | 15.60 | 19.10 | 16.70 | 51.30 | 8.54 | 173.30 |
| 11 | Ebonyi | 35.10 | 2.10 | 7.10 | 3.30 | 27.70 | 3.27 | 44.90 |
| 12 | Edo | 63.70 | 12.40 | 17.10 | 17.90 | 24.40 | 2.80 | 72.40 |
| 13 | Ekiti | 38.60 | 2.70 | 11.40 | 2.30 | 18.90 | 0.39 | 58.20 |
| 14 | Enugu | 41.60 | 4.10 | 10.70 | 6.40 | 17.60 | 0.94 | 39.20 |
| 15 | Gombe | 50.70 | 9.50 | 7.40 | 14.40 | 24.50 | 1.53 | 59.90 |
| 16 | Imo | 53.10 | 5.20 | 6.80 | 11.30 | 3.20 | 5.66 | 50.10 |
| 17 | Jigawa | 54.70 | 2.40 | 1.70 | 5.50 | 48.10 | 1.66 | 65.30 |
| 18 | Kaduna | 60.50 | 9.30 | 12.10 | 13.70 | 27.20 | 2.97 | 67.50 |
| 19 | Kano | 45.80 | 12.20 | 65.40 | 20.70 | 12.60 | 1.05 | 103.00 |
| 20 | Katsina | 51.40 | 3.20 | 16.70 | 5.00 | 29.40 | 1.53 | 26.40 |
| 21 | Kebbi | 43.40 | 3.80 | 4.50 | 5.20 | 36.40 | 3.23 | 63.80 |
| 22 | Kogi | 45.30 | 3.30 | 9.20 | 3.00 | 21.20 | 1.65 | 41.60 |
| 23 | Kwara | 52.20 | 11.30 | 6.10 | 12.40 | 24.90 | 0.34 | 56.60 |
| 24 | Lagos | 242.30 | 147.10 | 32.70 | 37.20 | 157.40 | 7.60 | 261.10 |
| 25 | Nassarawa | 36.10 | 2.40 | 5.70 | 12.80 | 10.90 | 1.28 | 53.30 |
| 26 | Niger | 53.50 | 3.10 | 18.00 | 5.80 | 6.20 | 4.54 | 35.70 |
| 27 | Ogun | 53.10 | 11.20 | 13.20 | 9.50 | 8.50 | 0.37 | 33.50 |
| 28 | Ondo | 69.60 | 3.80 | 14.30 | 27.20 | 17.50 | 1.10 | 62.80 |
| 29 | Osun | 42.50 | 5.40 | 14.30 | 27.00 | 12.60 | 0.84 | 59.70 |
| 30 | Oyo | 62.20 | 11.90 | 11.20 | 5.50 | 26.40 | 3.07 | 55.10 |
| 31 | Plateau | 43.40 | 3.60 | 12.30 | 14.70 | 24.70 | 2.09 | 65.10 |
| 32 | Rivers | 269.50 | 58.50 | 36.50 | 14.10 | 227.00 | 1.08 | 292.80 |
| 33 | Sokoto | 49.10 | 3.10 | 18.00 | 5.80 | 6.20 | 0.31 | 31.40 |
| 34 | Taraba | 47.20 | 3.30 | 10.60 | 4.90 | 26.10 | 0.14 | 52.00 |
| 35 | Yobe | 40.00 | 1.80 | 8.50 | 3.70 | 20.50 | 0.08 | 41.00 |
| 36 | Zamfara | 70.20 | 2.90 | 14.80 | 1.60 | 10.30 | 2.12 | 69.00 |
| 37 | FCT | 62.30 | 10.30 | 11.20 | 3.80 | 28.80 | 1.97 | 62.00 |
| Total | | 2,709.40 | 420.20 | 525.00 | 391.70 | 1,339.10 | 94.73 | 2,841.60 |

Note 1/Provisional

2/Gross Statutory Allocation

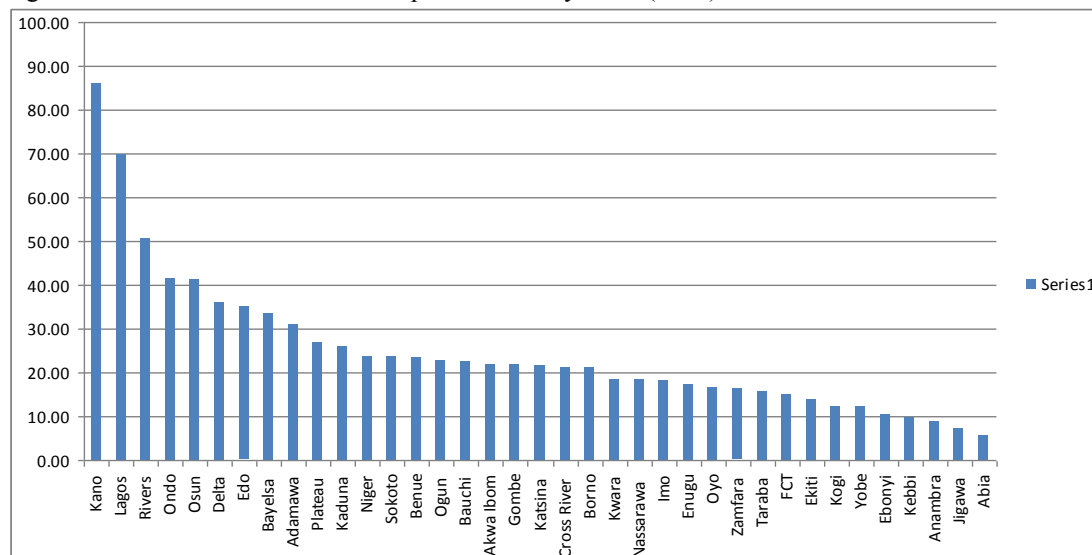
3/ Positive (+) sign connotes surplus while (-) sign connotes deficit

Sources: State Governments' and FCT Accountants-General Reports (2010)

Central Bank of Nigeria Annual Report & Statement of Accounts (2010 Pp 239 & 240)

To better understand the issue of cost of governance and revenue assurance at States level figures v, vi and vii were developed from Table 2 using 2010 data on state-by-state basis.

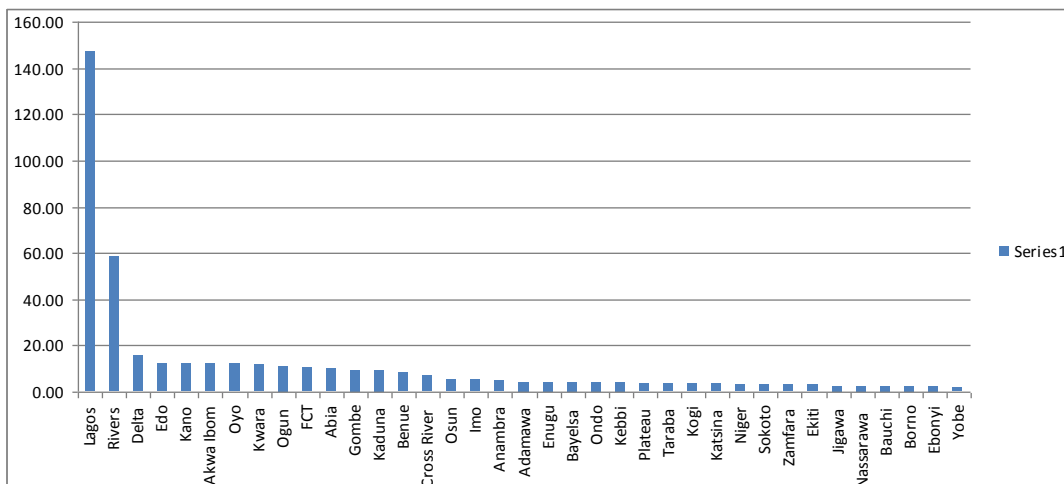
Figure V: Personnel and Overhead Expenses State-by-State (2010) in Billion Naira



Source: Developed by the Author from Table 2

On personnel and overhead expenses in 2010, Kano, Lagos and Rivers are top on the list, while Abia, Jigawa and Anambra had the lowest. Figure v shows great variations from State-to-State, implying differences in the level of cost control and revenue assurance in the States.

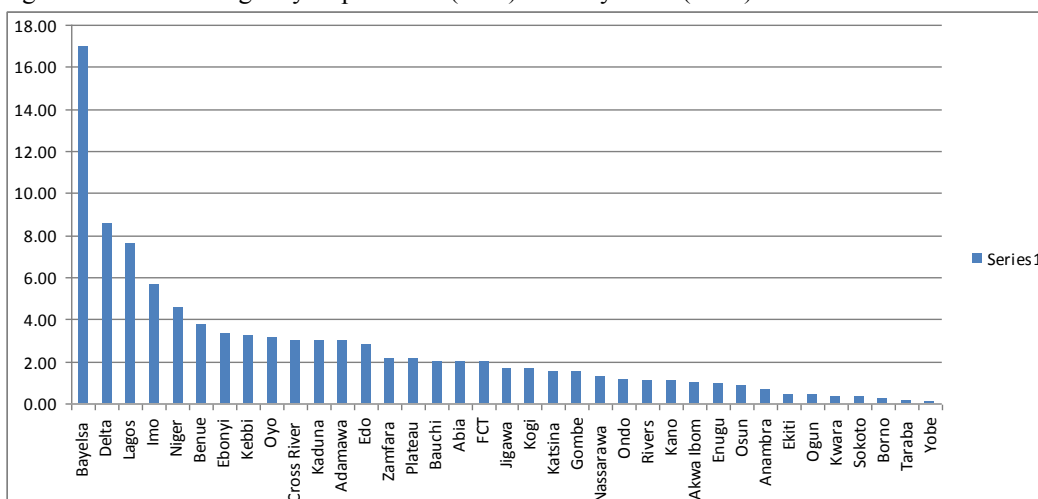
Figure VI: Internally Generated Revenue (IGR) State-by-State (2010) in Billion Naira



Source: Developed by the Author from Table 2

IGR picture in 2010 shows that except Lagos and Rivers which had significant IGR of N147.10billion and 58.50 billion respectively, the rest had an insignificant IGR of between N15.60 billion to N1.80 billion. Figure VI shows great variations from State-to-State in terms of IGR, implying differences in the level of revenue assurance in the States.

Figure VII: Extra-Budgetary Expenditure (EBE) State-by-State (2010) in Billion Naira



Source: Developed by the Author from Table 2

Surprisingly, Figure VII reveals that most of the States with higher extra-budgetary expenditure had lower IGR and higher personnel and overhead expenses. These question the cost minimization strategies and revenue assurance mechanisms in the States.

V. Findings

The cost of governance at every level of government is outrageous especially at the executive and the legislative arms. So much of the National Budget is devoted to personnel emoluments and other charges with less than three-quarter of the budget devoted to capital expenditure necessary for economic growth. For example, in 2010 Appropriation Bill, the local cost of maintaining the National Assembly alone was N138.015 billion. Since National Assembly consists of 360 Representatives and 109 Senators, totaling 469 members, average cost per member is N294, 375million equivalent to 1.962million US dollars. This cost is more than 2500 times the average earnings of 92% of Nigeria population and is therefore highly unreasonable and unsustainable for her fragile national economy with high level of unemployment and poor infrastructural facilities required to drive economic growth (Nwokedi 2011).

Despite public outcry, the National Assembly approved a higher budget for 2011 Fiscal year which gave to the National Assembly, a huge sum of N 232,736 billion. The overall National Budget for 2011

projected the sum of N4.5 trillion out of which a disproportionate sum of N2.4 trillion was for recurrent expenditure while smaller sum of N1.5 trillion was set aside for capital expenditure.

For Nigeria to evolve a sustainable and stable economy, she must exercise prudence and transparency in governance and employ the vast oil revenue which is its major national income to diversify her economy. This imply that reducing the yearly budget on recurrent expenditure and correspondingly increase her capital expenditure to enable her provide the infrastructure necessary for economic growth. If Nigeria is to attain the much orchestrated vision 20;20:20 to be one of the most advanced economies of the world, her leaders must need to look back to the good old days of the 1960s and learn how past leaders were able to prudently manage the economy(without much oil revenue) so well that Nigeria by 1966 was rates amongst the fastest growing economy in the world.

VI. Conclusion And Recommendations

The question of efficiency in governance is about ensuring that each amount of public funds is spent judiciously. In other words, every naira of public funds must be spent in a way that collective, not private welfare of citizens is maximized. In the absence of strong political institutions, the reduced cost of governance could only come if a benevolent set of public officers is in power. Since this is highly unlikely, we need to place institutional constraints on public office holders and technocrats in a way that minimizes the extraction of rent from the state. This is the better path to follow if the cost of governance is to be drastically reduced in Nigeria.

Thus, no matter the quantum of financial resources in hands of the government, the desired objectives may not be achieve if cost of governance is not reduced to ensure revenue assurance in Nigeria. This is necessary to controlling costs and achieving the overall objectives of governance. No institution of the size of even the smallest public organization can prosper without effective cost control, minimizations of expenses, blockage of revenue leakages and control of fraud, excesses, and abuses, financial impropriety, extravaganzas in the discharge of its responsibilities.

Over the years, Nigerians have always associated security vote with governors and nursed the belief that it is prone to abuse, as well as, resulting to a duplication of the votes allocated to the security agencies in the budget. It is, however, astonishing to find security vote as an item running through all Ministries, Departments and Agencies (MDAs). More surprisingly, as found by Nzeshi (2012) even agencies whose primary functions revolves around security have security vote allocations in the budget. There have also been cases of duplicated budgetary provisions under various sub-heads to attract more allocations that would be eventually siphoned at the end of the fiscal calendar (Nzeshi, 2012). Similarly, budgets are usually filled with wasteful expenditure from which great savings can be made. There were also too many MDAs collecting huge sums of money through the budget and delivering little or no tangible services.

Revenue Assurance is a combination of organizational structure, processes, technology and information responsible for monitoring the revenue process. Its activities are designed to provide assurance that business processes and systems are performing as developed, in order to reduce the risk of revenue leakage, by ensuring that risks have been identified and appropriately addressed; promote operational efficiency, by analyzing processes and systems, identifying gaps and design flaws which drive up operating costs; and effectively communicate business risks to management, in order to allow informed decisions and eliminate surprises.

Good governance can only achieve the desired objective if corruption is addressed and completely eradicated from the society because no programme can be successfully implemented under a corrupt environment. Revenue leakage is a growing problem in public governance in Nigeria. To get the most out of a revenue engagement, it has to be carried out as part of a government performance strategy – and not be just a leak detection exercise. The task of reducing cost of governance for revenue assurance at states level does not rest on the executive, legislature and judiciary alone. It is task demanding the collective effort of all stakeholders.

Recommendations

1. There is the need to reduce recurrent expenditure to sustainable level through reducing waste, inefficiency, corruption and duplication in government, as well as, make capital spending more effective.
2. There is the need for more citizens' participation to ensure prudence, transparency and accountability in the budgeting process.
3. There is the need for merging, restructuring and even repealing their enabling laws to ensure that non-essential agencies ceased to exist to prune down wasteful expenditure.
4. There is the need to continue the implementation of the monetisation of benefits by ensuring that the practice of purchasing fleet of cars for public officers was discouraged, except ambulances, Black Maria, and Hilux vans. The continued implementation of the monetisation programme will save resources and cut down expenditure.

5. The number of commissioners in the States Executive Councils, as well as, special advisers and personal assistants to the Governors should be streamlined to optimum. Similarly, none of this appointed official should have more than one official vehicle.
6. Regulatory agencies and authorities in Nigeria should ensure that all salaries and allowances of civil servants, public servants including political office holders conform to due process, constitutional provisions and existing financial rules and regulations. This will no doubt reduce friction and instability within the entire system.
7. Efforts should also be made to ensure fiscal discipline through effective public policy formulation and implementation aimed at reducing re-current expenditure and budget deficits.
8. One of the major costs of governance, is the larger than optimal size of the executive cabinet. It is possible to reduce the cost of governance by ensuring an optimal size of cabinet, where merit and core competence are the primary reasons for appointment to serve in public offices.

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