

# THE QUANTITY SURVEYOR'S ROLE IN THE BUDGETING PROCESS IN NIGERIA-BEST PRACTICE

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## ABSTRACT

Since 1999 no budget has been implemented above 50% in Nigeria. Major challenges include weak institutional capacity and a lack of inclusive participation by relevant stakeholders, like Quantity Surveyors (QS). The QS, being the expert in construction cost modeling, can play a key role in improving budget outcomes.

The objectives of the paper are: i) to trace the evolution of various budget systems in Nigeria from the traditional incremental approach to zero based budgeting currently in use; ii) to isolate the challenges impinging on the budgeting processes; and iii) to examine what role the QS can play in addressing these challenges and achieve better performance.

The methodology involved desk reviews of relevant literature, personal interviews and online questionnaires. A sample population comprising budget implementers, development practitioners and civil society was targeted to obtain both qualitative and quantitative data for analysis.

The critical research findings were as follow: i) projects involving federal and state governments collaboration were 98% completed, while stand alone ones averaged 50% success; ii) projects admitted into annual budgets for funding on condition that they were drawn from a local development plan that was prepared based on rigorous needs assessment/costing performed better (98%) than those in which similar conditions were not imposed (50%).

The paper concludes that budget performance improves when development plans are aligned to annual budgets through proper costing of projects, while stronger collaboration between the federal and state governments enhances efficiency.

The paper recommends some policy prescriptions for government thus: i) costing of projects should be made a pre-condition for funding; ii) quantity surveyors should be engaged by government to assist in building capacity in costing of projects for inclusion in long/medium term plans and annual budgets.

Key words: Budgeting, Costing, Implementation, Capacity, Performance

## 1. INTRODUCTION

### 1.1. Background

1.1.1. Budgets are an aggregation of national or community strategic priorities and the government's articulation of policy initiatives towards

meeting such needs. These needs are often related to the social and economic development of the community, in terms of basic social services (e.g., education and health) and infrastructure provision (e.g., roads, power and clean water supply). Budgets therefore provide financial and service information to guide decision makers, especially regarding the appropriate resource mobilisation, allocation and utilisation processes, from the planning to the implementation stages of the envisaged projects and programmes.

- 1.1.2. Given the importance of budgets in the social well being of citizens, why has budget implementation remained unimpressive, with the capital aspects averaging a mere 50%, while the recurrent provisions are fully spent since 1999? Some of the challenges confronting budget implementation in Nigeria have been well documented by development experts, practitioners and analysts. These include: a lack of inclusive participation by relevant stakeholders in the budgeting process; inadequate project preparation; bureaucratic bottlenecks in the procurement process; political interference and lack of executive capacity by implementers.
- 1.1.3. This paper traces the evolution of budgeting processes in Nigeria; it highlights the challenges of budget implementation, with an evaluation of approaches towards overcoming these challenges, and possibilities for employing the unique skill sets of the Quantity Surveyor for enhanced budget performance.

## 2. PUBLIC FINANCIAL MANAGEMENT REFORMS AND BUDGET SYSTEMS

### 2.1. Evolution

- 2.1.1. In Nigeria the traditional approach to budgeting, involving the use of “line items” and incremental additions in subsequent years, has been in vogue over the years. Although various attempts have been made to introduce new methods of planning and budgeting, the results have been mixed. MDGs needs assessment and costing techniques, and performance based budgeting are some of the recent public financial management (PFM) reform initiatives of government that were inconclusive in terms of institutionalizing them. These PFM reform initiatives could not be fully integrated into our national planning and budgeting processes at all tiers of government. This has been attributed to institutional weaknesses related to poor policy coordination and inadequate collaboration among tiers of government and even between Federal level institutions. (Eric Eboh, 20110)<sup>i</sup>.
- 2.1.2. The recent Federal Government directive for the adoption of the zero based budgeting (ZBB) approach, given the nation’s dwindling revenues, provides a good opportunity for a paradigm shift from the past towards more comprehensive and conclusive budget reforms. The implementation of this new budget initiative is to be done within the existing legal and institutional framework for policy planning and budgeting in Nigeria.
- 2.1.3. Consequently, a four year medium term plan (MTP) is to be devised from 2016 to 2020 for implementation, within the government’s medium term expenditure framework (MTEF) in line with the Fiscal Responsibility Act (2007).

2.1.4. The National Planning Commission and the Budget Office of the Federation (BOF) have jointly proposed a two-phased approach to the preparation of the MTP (2016 – 2020). This includes: i) putting in place the macroeconomic framework and ii) implementing the MTP (2016-2020), within the wider public financial management (PFM) and governance reforms (NPC/BOF, 2015)<sup>ii</sup>.

### 3. BUDGET REFORM INITIATIVES

3.1. As noted in section 1.2 above public Financial Management (PFM) reforms in Nigeria have evolved over the years from the traditional incremental line item budgeting approach and the Millennium Development Goals (MDGs) needs assessment and costing method, through performance based budgeting (PBB) to the present zero based budgeting (ZBB) approach.

#### 3.2. The Traditional Line Item Budgeting Approach

3.2.1. In the traditional line item approach government departments are given budget “ceilings” or “envelops” as expenditure limits within which they must keep their budget estimates, having regard to any increments on specific line items from the previous year due to inflation.

#### 3.3. MDG Needs Assessment/Costing

3.3.1. The Nigeria MDG needs assessment and Financing Strategy study, which was commissioned in October 2006 and the report published in November 2008, was aimed at estimating the resource requirements for achieving the MDGs, from the base year of 2006 to the target year of 2015; in terms of infrastructure and human resource needs, and the financial cost of inputs. The primary purpose of the Nigeria NA was to build institutional capacity within the ministries, departments and agencies (MDAs) for MDG-based planning and budgeting; as well as to enable MDGs Debt Relief funded interventions to be integrated into planning and budgeting processes at all tiers of government. This institutionalisation objective was partly achieved, varying degrees of success, and is largely considered a work in progress among development practitioners.

#### 3.4. Performance Based Budget

3.4.1. The PBB initiative, which was first introduced in Nigeria in 1981 (Abdullahi Y.S., 2011)<sup>iii</sup>, has been re-invigorated at the Federal level in the past two years. However, the administration of former President Jonathan ran short of time, as the systems, tools and processes required for PBB implementation were still being awaited to be put in place even up until its twilight. Consequent upon this development, the PBB to had not yet taken firm root in the policy framework before the guidelines for a ZBB approach were released by the new government of President Buhari in October 2015, for implementation in the 2016 Budget<sup>iv</sup>.

#### 3.5. Zero Based Budgeting

Public policy experts, development practitioners and civil society activists alike have acclaimed the ZBB approach as an improvement on the traditional incremental, envelope system of line item budgeting. Table 1 below shows a comparative analysis of the evolution of the ZBB approach in Nigeria vis-a-vis other typologies.

3.5.1. From the table, it can be noted that the line item method, while focusing on cost control as an objective, it is wasteful, as resource

allocation is not contingent upon any rigorous analysis based on needs, expected outcomes, or impacts and costs, as in the case of all the other improvements, including NA, PBB and ZBB.

3.5.2. Finally, a good budgeting system must have performance indicators for tracking progress during implementing and for benchmarking against key milestones. Only the line item method lacks these features, as can be gleaned from the Table 1 below.

**Table 1: Evolution of Budget Systems in Nigeria**

	<b>Line Item Budgeting</b>	<b>MDG Needs Assessment/ Costing Techniques</b>	<b>Performance Based Budgeting (PBB)</b>	<b>Zero Base Budgeting (ZBB)</b>
Difference	Accounting/ Number Oriented	Outcome Based	Function oriented (Objectives)	Function and Priority based
Features	Input Budgeting	Input/outputs Budgeting	Input/output budgeting	Dynamic Input/ Output Budgeting
Dealing with Ongoing Schemes	Ongoing Schemes taken for granted	On-going Schemes taken for granted	Ongoing Schemes taken for Granted	Every year old and new schemes evaluated together
Objective	Control cost	Resource Allocation based on Needs and outcomes	Resource Allocation, With reference to Results	Resource Allocation, in Context of Prioritization
Justification of Expenses	Budget Ceiling, Approval, Appropriation	Cost-benefit, Impacts, Performance indicators	Cost-benefit, Performance Indicators	Achievements in Prioritized Activity Areas

**Source: The Author**

#### 4. CHALLENGES OF BUDGET IMPLEMENTATION AND LESSONS LEARNT

4.1. The challenges of budget implementation in Nigeria are well documented, with budget performance levels of less than 50% since return to democratic governance in 1999, and especially, in the last five years (in terms of funds releases, funds utilisation and actual project execution on site). This phenomenon is common to both the Federal and State Governments, and often leads to abandonment of projects, even in cases where unspent funds are returned to the treasury. This poor rate of project and programme implementation results in service failures and consequently citizen

dissatisfaction. The inability of government at all levels to provide adequate public social services is a manifestation of some deeper systemic issues

4.2. Some of the major issues include:

- a) Poor project preparation by MDAs, including late insertion of new projects that are not properly packaged at the approval stage at the National Assembly (e.g., awarding contracts for projects without proper feasibility studies/costing), which leads to delays on site.
- b) Capacity gaps in the MDAs: lack of expertise in budget preparation, project documentation, project management, procurement management and project monitoring and evaluation.
- c) Bureaucratic bottlenecks involved in meeting procurement guidelines: delays in Tenders Board and obtaining Certificate of No Objection from the Bureau of Public Procurements, among others.
- d) None alignment of national plans and budgets: Obadan (2016)<sup>v</sup> has shown how the weakness in the budget-plan link undermines inclusive development by allowing poorly prepared projects that are not part of the national plan to get into the annual budget. This can only be corrected by restricting funding to only projects and programmes that have undergone a rigorous evidence based costing and are included in the mid-term plans of MDAs that are tied to national plans). This has been the missing link and it is hoped that the ZBB approach to budgeting will help correct this problem.
- e) Institutional weaknesses resulting into poor policy coordination, and poor collaboration with other tiers of government, giving rise to duplication and waste in the conception and siting of projects and programmes

4.3 This paper examines these budget performance challenges, drawing from the lessons learnt in implementing the MDG spend from 2005 to 2012. Some of the lessons learnt in the process of designing and rolling out MDG-related intervention projects and programmes were that: i) projects in which the Federal Government collaborated with the State Governments performed better, reaching substantial completion, while those done without such collaboration were less successful in reaching the project objectives; ii) collaborative projects, selected for funding on the condition that they underwent a process of rigorous needs assessment and costing as a basis for preparing a local development plan, did far better in attaining high levels of completion than those which were not subjected to such a process. iii) the monitoring and evaluation framework, which was instituted as a tag and track mechanism for tracing the flow of funding from the treasury to the facility level, made a huge difference, as all stakeholders reported better development outcomes. The paper further explores possibilities for leveraging the multifaceted skill base of the QS in contributing to helping to overcome these development challenges, bearing in mind the lessons learnt as mentioned above.

## 5 METHODOLOGY

5.1 The methodology employed in testing the validity of the observations and lessons learnt in implementing the CGS scheme involved the use of appropriate survey instruments, selecting a suitable target survey population, and applying the required data collection and analysis procedures. Apart from carrying out desk reviews of relevant literature as already reflected in the foregoing, the

study also drew on the hands-on evidence from the personal experience of the author, based on his involvement in the MDGs Debt Relief funded projects and programmes.

#### 5.2 Survey Instruments

To obtain a more balanced view among the stakeholders in the MDGs programme implementation process, focus group discussions and personal interviews were held, while online questionnaires were distributed to 130 participants.

#### 5.3 Target Population

The make up of the sample population comprised budget implementers, development practitioners, independent experts and members of the civil society, who were targeted for data collection and analysis, at the Federal, State and Local Government levels.

#### 5.4 Data Collection and Analysis

Both qualitative and quantitative data were collected for analysis using the mix of survey instruments mentioned above. Two sets of data were collected from: i) Federal or State Government sponsored projects in which there was no collaboration between the two tiers of government (or stand alone projects) and ii) the MDGs CGS projects, in which the Federal government collaborated with the State Governments to provided counterpart funding on a 50-50 basis, with other conditions imposed towards a more disciplined approach to achieving better development outcomes. The data analysis, done on both qualitative (for focus group discussions and personal interviews) and quantitative (online questionnaires) basis, confirmed the earlier position on the lessons learnt on MDGs CGS projects - achieving better budget performance for reasons earlier stated.

## 6 SUMMARY OF KEY FINDINGS

### 6.1 Some of the key findings of the study were that:

- a) Projects in which a bottom up approach to planning and budgeting involving extensive local consultations and collaboration between federating units or tiers of government were successful, posting over 98% budget performance, while stand alone ones were below 50%.
- b) Projects which were well prepared, with a rigorous needs assessment or costing as a basis for formulating a local development plan, achieved near total completion rates of over 97% on the average, while those that did not undergo the same process achieved below average completion rates of less than 50%.
- c) Projects or programmes in which independent experts, evaluators or civil society organisations were engaged to monitor physical progress on site and evaluate impacts and benefits achieved higher completion rates of around 98% while those without such intervention achieved only 50% and below in performance.

### 6.2 From the above findings it is evident that the involvement of professionals and civil society organisations in capacity building roles, or as independent evaluators made a difference in enhancing performance. Professionals therefore have a key role to play in improving the policy planning, budgeting and implementation of public works, goods and services

- 6.3 Consequently, it is incumbent on Qs to not only get involved but to also play a leading role in budgeting processes from budget formulation through implementation to monitoring and evaluation.

## 7 THE QUANTITY SURVEYORS' ROLE

### 7.1 Background Training and Relevance

- 7.2 Having done a comparative review of the evolution of budgeting systems and budget implementation globally and in Nigeria, with particular reference to the findings MDGs programmes' successes, one may now ask: What role can the QS play in the development and improvement of budget systems in Nigeria? Further more, is there a role for the QS in the overall formulation and implementation of development policies in Nigeria from a planning, budgeting, monitoring and evaluation perspective? What niche can the Nigerian QS carve out for himself in the on-going public financial management reforms?

- 7.3 The background training of the Quantity Surveyor places him in a pole position to take leadership position in development policy planning and budgeting issues. This is because Qs are blessed with a multidisciplinary skill set that allows them to be very adaptable to changing circumstances in the professional services industry. This is most notable, especially regarding the challenges of operating under the dynamics of a declining global and local economy, as is the case presently.

### 7.4 QS Basic Training:

The basic training of the QS is premised on indebt knowledge of i) Technology, ii) Measurement, iii) Economics, iv) Law, and v) Management. It is an established norm that: any technology that you understand, you can measure and price. Therefore, coupled with his background training in economics, law and management, the QS is as familiar with commercial, trade and investment issues in the Board Room, or in Government, as he is comfortable on the construction site. Qs are imbued with technical, financial and managerial skills that equip them to operate as key players in the economic development and management of any economy in the world.

### 7.5 The Qs's Experience and Application to the Budget Challenges

- 7.6 The QS's traditional role as a Construction Economist, Project Cost Consultant, and Project Manager has afforded him the opportunity to build strong skills and also gain valuable experience in project cost planning, project cost control and overall project management, from the conceptual stage, through implementation to commissioning of any scheme, including maintenance during the whole project life cycle.

- 7.7 Many Qs have gained useful experience on Social and Infrastructure Projects in Nigeria and globally. Given this wealth of experience and the depth of knowledge within the Nigeria Institute of Quantity Surveyors (NIQS), is there any reason why the profession should not take advantage of the many opportunities being thrown up by the challenges currently being posed by our present development realities, in the face of dwindling resources?

### 7.8 Traditional Practice Areas and New Opportunities

- 7.9 From the above analysis of challenges faced in development policy planning and management in Nigeria, one can begin to sieve out a whole gamut of issues including challenges relating to the specific areas of:

- i) Policy Planning and budgeting
- ii) Project preparation and planning (including pre-feasibility studies, cost-benefit analysis, needs assessments),
- iii) Project management, Project procurements, Project implementation
- iv) Project monitoring and evaluation

7.10 In the light of the challenges experienced by development practitioners in the above thematic areas, it is apparent that capacity building opportunities exist for those QSs interested in helping to, not only build capacity in the public sector, but to also offer consultancy services to government in:

- i) Development Policy Planning and Budgeting Reforms:
  - a. Preparing national and state development plans
  - b. Preparing national and state level budgets
- ii) Public Financial Management Reforms:
  - a. Fiscal policy: Fiscal Strategy Paper (Revenue and Expenditure frameworks)
  - b. Linking plans and budget through the mid-term expenditure framework (MTEF) of government, and mid-term sector strategies of MDAs (MTSSs)
  - c. Fiscal Responsibility
- iii) Public Sector Reforms:
  - a. Governance reforms (anti-corruption, human rights, judicial reforms, freedom of information, fiscal federalism, national integration and collaboration between tiers of government)
  - b. Civil service administration reforms (humans resources management, organisational development, service delivery, etc.)
- iv) Performance Based Management
  - a. Linking MDAs sector Plans to the National Development Plan
  - b. Developing Incentives: – By tying Rewards and Punishments to Performance and non-performance
- v) Public Private Partnerships:
 

Given the paucity of funds for public finance of development projects, opportunities abound for Professional Transaction Advisers (usually a consortium of experts in construction, legal and financial fields).
- vi) Public Procurement: at the Federal and State levels
- vii) Project Management: at the Federal and State levels
- viii) Monitoring and Evaluation: Providing field M&E services as an independent viewpoint, or a second opinion to corroborate the internal M&E of government agencies and the Budget Office of the Federation. Also providing training/capacity building programmes for staff of MDAs at the Federal and State levels.

7.11 QS Strengths: Strong Financial Management Skills

With the QS's strong financial management skills, it is evident that the profession can extend this skill set and the experience of its members to secure jobs requiring expertise in financial disciplines in the wider economy.

7.12 Knowledge and Skills Update

7.13 Paradigm Shift: For QSs to take advantage of the above emerging opportunities, they must first of all have a change of mind set from going on with a business as usual approach to embracing a paradigm shift of doing unusual things outside their comfort zones. QSs must be open to absorbing new

knowledge, while allowing the profession to expand beyond its traditional boundaries like the Accountants did by moving from being so called “bean counters” to taking leading roles as management consultants and IT consultants in times past.

- 7.14 Collaborations: To do this requires collaborating with various stakeholders, including government, civil society, international development partners (IDPs), the organised private sector and other professional groups.
- 7.15 Capacity Building/Training Workshops: The Institute and the Board (QSRBN) will need to organise a series of compulsory seminars/training workshops in the areas of development policy planning and budgeting, public financial management reforms and other thematic areas mentioned above for practicing Qs. These training workshops should be cascaded to state and local chapters.
- 7.16 Curriculum Review: There is the need to modify and enrich the curriculums of University Departments offering QS degrees with a view to include the new areas of practice proposed above in section 11, including development policy planning and budgeting techniques; and the development of new financial modeling tools.

#### 7.17 New Markets, New Marketing Tools

As noted in section 12.2 above, marketing these new skills of the QS will require strong collaboration and cooperation with other stakeholders, who must be convinced of the useful contributions of the QS in these areas. Experience has shown that in times of great economic distress bordering on social upheavals, leaders emerge among professional groups to make a difference; by challenging conventional wisdom in the way things are done, and in breaking new grounds.

- 7.18 Collaborations Needed: Therefore, the QS profession should carry out the following activities so as to mobilise support from other professionals:
  - a) Involve, on a wider scale, groups of economic and financial management experts, or stakeholders in our activities and programmes, (e.g., Nigeria Economic Summit Group (NESG), and Chambers of Commerce.
  - b) Engage more with International Development Partners (IDPs) who are involved in supporting Nigeria’s economic and social development efforts (e.g., UNDP, DFID, USAID, EU, etc.).
  - c) Organise, on a more regular basis, planning and budgeting training programmes for Government Departments at Federal, State and Local Government levels, in collaboration with the IDPs and the organised private sector.

## 8 SUMMARY, CONCLUSION AND RECOMMENDATION

- 8.1 The paper gave a brief history of the ZBB system in the United States of America, and listed the various types that are being used in practice. It further outlined the evolution of the ZBB in Nigeria, with a comparative analysis of the various budgeting systems that have been used in the country, pointing out the efficacy and limitations of each of them.
- 8.2 Current government efforts to re-introduce the ZBB in Nigeria have also been examined, including the guidelines that were issued to the MDAs, covering the key policy thrusts for the 2016 Budget and the mid-term plan (2016-2020). The role of the QS in the emerging financial architecture of Nigeria was also x-

rayed, while possibilities were explored regarding job prospects for members of the Institute.

8.3 In conclusion, therefore, the QS, as an expert in forecasting project costs, and in advising clients on the financial implications of alternative courses of action in the planning and execution of construction projects, is well suited to take on the wider role of advising on economic planning and budget reforms for the whole economy. The onus is therefore on us, to sharpen our skills, update and expand our knowledge base so as to be able to take on the challenges of re-building an emerging economy that is in distress, but which otherwise presents some wonderful opportunities for new areas of work for the QS.

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<sup>i</sup> Abdullahi, Y.S. 2011, Budget and Budgetary Control in Nigeria. Journal of Business and Organisational Development, Vol. 3., December 2011.

<sup>i</sup> Eboh, E 2010, MDGs based planning in Africa: Lessons, Experiences and Challenges-A case study of Nigeria

<sup>ii</sup> Joint Presentation to Permanent Secretaries in the Federal Public Service, By: Secretary to the National Planning Commission and The Director General, Budget Office of the Federation, Federal Ministry of Finance, October, 2015. Macroeconomic Framework, Policy Thrust and Priority Programmes for the 2016 Budget and Medium-term Successor Plan (2016 – 2020).

<sup>iv</sup> Macroeconomic Framework, Policy Thrust and Priority Programmes for Budget 2016, (NPC, BOF, 2015).

<sup>v</sup> Obadan, M 2016. Strengthening the Plan-Budget Link for Inclusive Development in Nigeria.