Civil society organizations (CSOs) can play an important role in enhancing transparency and good governance in developing countries. In particular, such organizations can contribute to increased public debate on issues surrounding the formulation and implementation of government budgets as well as in supporting greater transparency of public revenues. This paper reviews some recent measures to improve fiscal transparency in Nigeria, and highlights the role played by CSOs. More effective participation of civil society groups in public discussions on fiscal transparency will require strengthening capacity of these organizations to participate in such debates. At the same time, senior government officials must welcome the increasing involvement of civil society as an opportunity to increase transparency and debate on public finance issues. This paper concludes by identifying possible strategies which civil society organizations and senior government officials in various African countries may adopt in order to promote more constructive and transparent dialogue on fiscal management issues.

I. INTRODUCTION

The past decade has witnessed the rapid rise of civil society organizations as important contributors to public debate in many African countries. In many instances, civil society groups contribute to direct anti-poverty interventions as well as to political advocacy campaigns. The direct involvement of civil society organizations in issues of fiscal transparency or budget monitoring has however been limited and is relatively recent. As an example, the most recent assessment of budget transparency and participation by the Africa Budget Project in 2002 (for Kenya, Ghana, Zambia, Nigeria and South Africa) pointed to various shortcomings in fiscal transparency in these countries and noted weaknesses in the participation of civil society groups (Foelscher, 2002).

This paper aims to contribute to the discussion on the role of civil society in supporting fiscal transparency by reviewing recent interactions between CSOs and senior government officials in Nigeria. The paper uses Nigeria’s experiences as a case study to illustrate issues
surrounding government-CSO interaction which may arise in other African countries. We review CSO activities areas such as: the budget process, the monitoring of repatriated stolen funds, the Nigeria Extractive Industries Transparency Initiative (NEITI) and public expenditure systems of sub-national governments. Our review suggests that civil society participation in fiscal policy issues is broadly desirable as it compels elected officials to be more accountable with public revenues and also to ensure better execution of government projects. At the same time, civic engagement in public policy issues may also be problematic since in some cases it risks being captured by a dominant or vocal elite who may not represent the interests of the broader population. To the extent that civil society participation in the budget process is desirable, we argue that their effective participation requires improved technical capacity on relevant economic concepts.

The remainder of this paper is structured as follows. Sections 2, 3, 4 and 5 respectively examine the federal government budget, monitoring of repatriated funds, transparency in the oil and gas sector, and transparency of sub-national finances. In each case we identify the role being played by civil society organizations. Section 6 identifies strategies which civil society organizations and senior public officials in various African countries may adopt in order to promote more constructive and transparent dialogue on fiscal management issues. Section 7 briefly examines the issue of financing for CSOs working on fiscal transparency issues. Conclusions are provided in section 8.

II. THE FEDERAL GOVERNMENT BUDGET
A key component of improving economic governance has been the need to improve transparency in the planning and implementation of government budgets. The budget serves as the major fiscal policy tool of government which provides a schedule of expected revenues and anticipated expenditures over a given time period. Prior to recent economic reforms in Nigeria in 2003, the budget process was not clearly defined (see Apampa and Oni, 2005). This was largely the legacy of non-transparent military regimes. The budget formulation process was not transparent, and actual program implementation often deviated from
budgeted activities. Budget monitoring was virtually non-existent and in many instances the actual budget document was not publicly available.

As part of recent economic reforms, under the second Obasanjo administration a concerted effort was made to improve the budget process by developing new tools to help in budget formulation and implementation as well as increasing the level of consultation with the legislature and non-state actors during the drafting stages of the budget. It is important to discuss the various stages of the budget cycle in some detail as each stage provides opportunities for civil society participation. As in many other African countries, the Nigerian budget cycle is now clearly defined into four main stages: drafting, legislative approval, implementation and monitoring.

For any given year, drafting of the budget begins midway through the preceding year. The process usually begins with an informal discussion with the president who articulates his priorities for the budget and gives input and indications on relative size and on key parameters. A recently developed tool, the fiscal strategy paper, is then prepared by the Budget Office of the Federal Ministry of Finance, with input from other relevant economic agencies such as the National Planning Commission (NPC) and the Central Bank of Nigeria. The fiscal strategy paper outlines the government’s overall fiscal strategy, including a macroeconomic framework, key assumptions, revenue projections and expenditure estimates. It also enables the federal cabinet to make trade-offs between competing objectives and thus to identify priorities. In the process of consultations, the Federal Ministry of Finance also liaises with other government ministries, departments and agencies (MDAs) to discuss their respective expenditure estimates. Recently, such sectoral spending plans are developed within each MDA’s medium term expenditure framework (MTEF) and a medium term sector strategy (MTSS). These tools ensure that MDA spending plans reflect government development priorities and also remain within projected resource envelopes. The draft budget is then presented by the Minister of Finance to the President, who further discusses the draft document with members of the cabinet in the Federal Executive Council and appropriate trade-offs are discussed and made. During the drafting stage, various stakeholders are consulted. The legislature—usually the chairs of the House and Senate Finance and
Appropriations committees are brought into the picture and fora are held to enable civil society consultations. These fora are held mainly in Abuja and Lagos and the idea was to spread these round the country as the budget process matured.

Various parameters used in drafting the budget are debated during these stakeholder consultations and in particular, often cause tension between the executive and legislature. In many instances, there are debates on the appropriate benchmark price for oil (the fiscal rule) to be used in the budget\(^1\), the size of funding for oil and gas joint venture agreements, and the level of debt repayments to be made in any given year etc.. In addition, legislators often debate (and amend) the internal allocation of resources – such as the share of the budget to be allocated for MDG projects, for so-called ‘constituency projects’ in their local constituencies, and also the budget allocation for running the legislature. This latter very often proved the greatest source of tension.

Legislative approval is then needed at the second stage of the budget process. The President presents the budget (in the form of an Appropriation Bill) to a joint sitting of the Senate and the House of Representatives. The relevant committees in both houses review and recommend changes to various parts of the budget. The legislative stage of the budget process is often arduous, and typically involves some horse trading between the executive and legislature in order to ensure passage of the Appropriation Bill. This exchange would often lead to delays in passage of the budget many times past the expected budget time for the start of the new budget. This period of debate and horse trading provides a valuable opportunity for civil society lobbying and intervention. All amendments proposed are subsequently harmonized and the finalized budget is passed as the Appropriation Bill for the given year. The President subsequently signs the bill into law as the Appropriation Act.

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\(^1\) Since 2004, an oil price-based fiscal rule was introduced in Nigeria, such that government expenditure was based on a prudent oil price benchmark. Any revenues that accumulated above the reference prices are saved in a special excess crude account. By adopting this rule, government expenditures are de-linked from oil revenue earnings thereby limiting the transmission of external oil price shocks into the domestic economy. Government budgeting has been based on conservative oil prices of $25 per barrel in 2004, $30 per barrel in 2005, and $35 per barrel in 2006, despite higher realized prices of $38.3 and $54.2 and $68.0 in 2004, 2005, and 2006 respectively.
Implementation of the budget is then conducted by the various ministries, departments and agencies (MDAs) of the federal government. On a quarterly basis, funds for capital projects are released to the relevant spending MDAs based on allocations in the budget. Revenues are obtained from the Consolidated Revenue Fund of the Federation (CRF). A cash management committee, chaired by the minister of finance, ensures that funds are available to enable a smooth financing of the government budget and thus to reduce borrowing from the Ways and Means (overdraft) account of the central bank. In addition, at the budgeted oil benchmark price, spending is to remain within a 3 percent of GDP limit for the fiscal deficit. In practice, for the budget years 2004-2006 the federal government ran fiscal surpluses up to 10% GDP due to good operation of the fiscal rule.

Monitoring is the final stage of the budget cycle. The Accountant General of the Federation continuously reconciles receipts and expenditures as provided by various accounting offices in the public sector. The actual inspection of completed and ongoing projects is supposed to be conducted throughout the year by the Budget Office of the Ministry of Finance as well as the National Planning Commission in conjunction with the spending ministries and agencies. In practice not much, if any inspection, goes on during the year and such work usually takes place at the end of the budget year when drafting of the budget implementation report begins. The budget implementation report is an innovation. It examines the level of implementation of each year’s budget and also to review the actual quality of project implementation in various locations in the country (see Federal Ministry of Finance 2005; 2006).

Roles of civil society in Nigeria

At what stage in budget cycle can civil society play a role? Civil society can contribute at various stages of the budget cycle before and after the Appropriation Act is signed into law. Ex ante, they can assist in the budget formulation process by making contributions at the drafting stages, and also lobbying legislators to ensure adequate funding for specific programs. Ex post, civil society can ensure the effective implementation of the budget via expenditure tracking and performance monitoring activities (see Fig 1).
There are international best practices of how some civil society groups have contributed to the budget process in their respective countries. For example, budget formulation in Porto Alegre (Brazil) has been enhanced by the work of CSOs while the Institute for Economic Affairs (in Kenya) and IDASA (in South Africa) are credited with reviewing government budgets to help improve public understanding of budget issues. On civil society participation in budget implementation, two examples are often highlighted in the literature: the case of public expenditure tracking for Ugandan schools and the use of citizen report cards in the Philippines to improve performance monitoring.

However, in the case of Nigeria, it is only recently that civil society organizations are engaging more systematically in the budget process. At the drafting stages of the budget, the views of civil society groups are solicited when the government’s fiscal strategy paper is presented. This provides an opportunity for civil society groups to critique the government’s policy priorities as reflected in its proposed allocation of resources. At the legislative phase of the budget, Nigerian civil society groups have made only limited progress in lobbying legislators for their desired amendments. This may arise from lack of advocacy skills, technical expertise and strategic planning. An effective lobbying strategy (involving research, identification of allies, and careful communication of ideas to legislators) is only rarely
practiced in Nigeria. Lack of technical expertise on budget accounting also means that Nigerian CSOs are often not able to provide a detailed review of the budget to examine the distribution of resources for competing activities (for example, to compare the annual costs of maintaining a public health center with that of maintaining a legislator’s office).

Ex post, expenditure tracking and performance monitoring provide more visible opportunities for civil society groups to contribute to supporting effective implementation of the government budget. In Nigeria, the recent introduction of the Virtual Poverty Fund provides a useful example. The Virtual Poverty Fund is designed to channel debt relief savings to finance pro-poor, MDG-based expenditures in the budget. Civil society groups are frequently invited to participate in seminars and also to review the implementation of the Fund. CSOs have also recently been incorporated into national teams which monitor the implementation of MDG programs in various parts of the country.

More recently, increased financing from external donors has been sought to strengthen the activities of Nigerian NGOs and academics to contribute more effectively to the budget process. Building capacity of these organizations to enable them engage in informed debate as well as avoiding the tendency for elite capture and illegitimate representation remain the major challenges. We revisit some of these capacity-building challenges in section 6 of this paper.

### III. MONITORING OF REPATRIATED ABACHA LOOT

Nigerian civil society organizations have also played an important role in supporting the repatriation and effective utilization of looted funds. The repatriation of funds looted by the Abacha family provides a case in point.

In February 2005, the Federal Supreme Court of Switzerland approved the repatriation of funds looted by the Abacha family to be returned to Nigeria. A total of US$505.4m was

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2 Interview with Soji Apampa (INTEGRITY, Nigeria). Upcoming programs include initiatives such as the Coalition for Change program sponsored by the UK Department for International Development (DFID).
transferred to Nigeria between September 2005 and March 2006. In anticipation of the 
recovery of the looted funds, the Federal Government appropriated the equivalent amount for 
use in various pro-poor projects in the 2004 Budget (World Bank, 2006). A total sum of about 
US$505 million was to be utilized in various priority sectors as follows: power (US$168.5 
 million), works (US$144.5 million), health (US$84.1 million), education (US$60.1 million), 
and water resources (US$48.2 million). Within these sectors, priority was placed on various 
pro-poor programs which could help in improving the country’s social indicators and assist 
with progress towards the MDGs.

*The role of civil society*

Nigerian civil society played an important role in supporting the return of looted funds and 
also monitoring the utilization of repatriated funds. Local civil society groups were genuinely 
concerned about the slow repatriation of the looted funds to Nigeria due to perceived delays 
from the Swiss Government. Nigerian CSOs therefore partnered with their Swiss counterparts 
to pursue two objectives: first, to campaign for a speedy repatriation of looted funds, and 
second, to monitor the utilization of funds when repatriated to Nigeria.

Following repatriation of the funds, Nigerian and Swiss authorities jointly agreed for the 
World Bank to monitor the proper utilization of the returned funds. The World Bank engaged 
the services of a civil society organization, *Integrity*, to participate in the review process. The 
members of *Integrity*, together with other local CSOs, reviewed projects financed using the 
repatriated loot. About 51 project sites were subsequently selected for field monitoring visits. 
The final monitoring report was published by the World Bank in December 2006 (see World 
Bank, 2006).

While the participation of local CSOs in the monitoring exercise was largely beneficial, some 
members of the monitoring team had issued a shadow report which was based on inaccurate 
and incomplete information. Such practices are unprofessional and are likely to discourage 
constructive engagement in the future.
IV. TRANSPARENCY IN THE OIL AND GAS SECTOR

In resource-rich economies, civil society can also play an important role in ensuring transparency in the collection and utilization of revenues derived from such natural resources. Poor economic governance of natural resources is partly the cause of recent conflicts in countries such as Liberia, Sierra Leone and the Democratic Republic of Congo. Therefore, as part of Nigeria’s recent economic reforms, the government pledged to ‘encourage transparency in the management of oil revenue by implementing the principles of the Extractive Industries Transparency Initiative [EITI]’ (NPC, 2004:77). The EITI is a “publish what you pay” scheme initiated by Tony Blair and George Soros, and aims at improving transparency by requiring companies operating in extractive sectors in developing countries to publish revenues which they pay to their host country governments.

In 2003, Nigeria (under the Obasanjo administration) was one of the first countries to adopt the EITI initiative. A major undertaking of the Nigeria-EITI (NEITI) was to commission an independent audit of the Nigerian oil and gas sector for the period 1999 to 2004. The audit pointed to various lapses in the data-keeping and reporting procedures in the Nigerian oil and gas sector, although about 99.8 percent of total revenues in the sector for the given period were accounted for.

Roles of civil society in Nigeria

Given the challenge of ensuring better economic governance of revenues derived from natural resources, Nigerian civil society played an important role in the activities of the NEITI. The engagement of civil society with the NEITI process has grown steadily since 2003. Indeed, local civil society played an active role in advocating for the Publish What You Pay (PWYP) campaign in Nigeria. The 28-member National Stakeholders Working Group (NSWG) of the

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3 For example, in the financial audit, minor disparities were observed between revenues that oil companies reported as paid and the actual amounts received by the central bank. Coordination among government agencies was however found to be weak and government data-keeping was also poor such that reported revenues fluctuated: in some years reported income exceeded what the central bank received while in other years the reverse occurred. A physical audit also pointed to the systematic loss of crude oil between the wellhead and export metering terminals. Poor metering infrastructure also hampered proper data collection on gross volumes.
NEITI is comprised of 3 representatives from civil society drawn from the media (1), NGOs (1) and trade unions (1). There exists a Nigerian civil society organizations steering committee which dialogues periodically with the National Stakeholders Working Group (NSWG) of the NEITI, while a CSO liaison officer based in the NEITI Secretariat. Nigerian civil society groups were also major advocates in supporting the passage of the NEITI Act. Given the technical nature of work relating to oil and gas economics and the effort of Nigerian civil society in understanding issues relating to the extractive sectors, additional training is needed to strengthen the capacity of civil society to provide external scrutiny of natural resources revenues in the country.

V. TRANSPARENCY IN SUB-NATIONAL FINANCES

Another area where civil society can play an important role is in the monitoring of funds transferred to sub-national authorities. Such monitoring may be highly desirable particularly in countries with high levels of fiscal decentralization – for example, where states or provincial governments possess some independence in their expenditure decisions. While fiscal decentralization has its advantages (e.g., in ensuring greater participation of local communities in their projects), it could also lead to leakage of resources if monitoring mechanisms in the target communities are weak.

In Nigeria, fiscal decentralization within a federal structure implies that state and local governments received nearly half of consolidated government revenues. The sub-national authorities also have significant independence in their expenditure decisions, which are supposed to focus on the delivery of social services (such as in health and education). However, lack of transparency and low capacity at the sub-national level often results in leakages of public funds and weak project implementation.

To improve transparency at all levels of government, a monthly publication of federal, state, and local government shares of revenue from the country’s federation account was introduced in January 2004 (and also presented online on the website of the Federal Ministry of Finance).
The publication provides details of revenue allocations to all 36 state governments and the Federal Capital Territory (FCT), as well as 774 local governments. The publication has increased transparency, particularly of sub-national finances, and opened up dialogue on public revenues and expenditures at all tiers of government.

Roles of civil society in Nigeria

For civil society organizations, the increased transparency on federal allocations to states and local governments has provided them with valuable information to challenge their local authorities on the use of public funds. Citizens are now aware of what their governments receive and can question the allocation of funds. It is now possible for CSOs, particularly community-based groups, to challenge their local leaders to account for the use of funds received from the federal government particularly if they do not observe commensurate improvements in public services. The media, in particular, has been a keen follower of such information, publicizing the size of allocations to various states and local governments, and drawing comparisons with the size of budgets in other countries such as Ghana or the Gambia.

But CSO advocacy work at the sub-national level is still quite shallow and presents deep opportunities for Nigerian CSOs should they have the desire, ability and capability to seize it. Recent reviews by the Nigerian National Planning Commission indicate that sub-national governments often have poor public expenditure systems: budgets are often cursorily approved by state legislators and seldom published; project selection tends to be poor; project implementation is often erratic; and the procurement process in many cases is not transparent (NPC, 2007). All these weaknesses in public expenditure systems at the sub-national level provide opportunities for local civil society groups to serve as whistleblowers in ensuring more prudent and transparent management of resources. CSOs should also seize opportunities to support appropriate legislation that entrenches transparency in the budgetary process at federal and sub-national levels. The recently passed fiscal responsibility bill in Nigeria received a great deal of interest and support on the part of civil society but
engagement occurred mainly at the federal government level. The bill could have benefited from stronger CSO advocacy at the sub national levels.

VI. KEY LESSONS FOR CIVIL SOCIETY AND FOR GOVERNMENTS
The foregoing has discussed recent reform measures in Nigeria aimed at improving fiscal transparency and the role which has been played by CSOs. We believe civil society could make even greater contributions to ensuring fiscal transparency in Africa if they improve their understanding of technical concepts and also adopt a more pragmatic strategy to advocacy rather than outright confrontation. There are common themes in the recent experience of Nigerian civil society’s engagement with government which could be valuable in other countries. Based on the recent example of Nigeria, we outline below some key lessons for civil society groups and government officials on how to improve dialogue on fiscal transparency issues.

Lessons for civil society organizations

a. Define clear objectives. First it is crucial for civil society organizations to clearly define their intended objectives. What are the desired goals? Is it tackling corruption and patronage? Ensuring greater pro-poor allocation of resources? Supporting development of marginalized groups? Providing voice for citizens and so on? Defining clear goals would enable more focused engagement with relevant authorities, rather than a tendency to pursue diverse and sometimes uncoordinated activities. For example, a civil society organization which identifies advocacy on infectious diseases as its major objective can focus more effectively on campaigning for greater resources for the treatment of such diseases.

b. Develop technical competencies. Perhaps the greatest weakness of most Africa-based civil society organizations involved in fiscal transparency issues at present is their inadequate grounding in the technical issues surrounding their areas of advocacy. In order to improve their impact, such organizations need to improve their levels of
research and training, and to keep abreast with the relevant literature in their fields of concern. For example, an organization advocating for increased transparency of the natural resource sector in its local mining sector should have an adequate grasp of the existing fiscal regime in its local mining sector. Similarly, some basic understanding of budget classification and accounting methods would be essential for any organization involved in tracking expenditures for its local budget.

c. **Devise an effective communication strategy.** Civil society organizations working on advocacy issues in fiscal transparency must also carefully consider their communication strategies (whether op-ed pieces, advertorials, etc). Clearly, the methods and medium of communication will vary based on the intended audience – whether to the general public, to legislators, or to their local government authorities. In all cases however, the message to be communicated needs to be well-researched, factual and succinct. Wrong information has been communicated in the past – and this does not augur well for government-CSO collaboration.

d. **Pursue pragmatic dialogue with relevant authorities.** Many critics of civil society organizations argue that they tend to be more confrontational and sensational rather than willing to engage in pragmatic dialogue. There is an increased willingness among many democratic governments to encourage greater dialogue with non-state actors. Civil society organizations must seize this opportunity as a means of influencing public policy and change rather than operating in isolation.

e. **Improve lobbying skills.** Improved lobbying skills are also needed if civil society groups are to contribute more effectively to enhancing fiscal transparency in their countries. It is important to identify allies among legislators, to cultivate relationships with the executive, and to effectively communicate campaign messages to them.

f. **Conduct periodic self-evaluation.** Periodically, it may also be important for civil society organizations involved in advocacy issues to conduct an internal self-evaluation of their objectives and methods of operation. This may also help to re-
connect with their constituencies and reduce the likelihood of elite capture of their objectives or illegitimate representation (and thus avoid the so-called NGI problem).  

**Lessons for government officials**

a. *Enhance access to information.* It is important for government officials to recognize that CSOs can serve as important partners who can make valuable contributions to fiscal transparency issues. Providing them with access to relevant information can help stimulate debate. In addition, government authorities should be willing to invest time and resources (via seminars etc) to explain more technical concepts to civil society groups.

b. *Form strategic alliances with CSOs on budget formulation and other legislative issues.* Government authorities can also work strategically with CSO partners to pursue policy initiatives which may otherwise be undermined or blocked by vested interests. For example, a government considering reallocating funds from underperforming public enterprises to its basic education budget could enlist the support of CSOs to present some data to support its case.

c. *Involve CSOs in budget monitoring.* Finally, CSOs can serve as an important asset in monitoring the implementation of government budgets particularly when decentralized units are implementing projects in remote parts of a country. In this regard, CSOs can serve as whistleblowers to alert government officials of any improper practices.

**VII. FUNDING OF CIVIL SOCIETY GROUPS**

Civil society activities and campaigns on fiscal transparency issues can be costly. How should such work be financed? This is an issue of legitimate debate which merits some discussion between the CSO community, government agencies and international donor organizations. In

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4 NGI, a parody of the acronym NGO, refers to non-governmental individual
some instances civil society groups may not be willing to receive funds from government agencies – whom they ultimately intend to monitor – as it may be seen as compromising their positions. At the same time, the limited resource of many CSOs implies that they will be unable to adequately finance their training activities, field monitoring exercises or media campaigns without additional funding. This financing gap provides a useful opportunity for international donors to support the activities of such civil society groups – perhaps working in conjunction with local governments. The appropriate financing model for CSOs engaged in fiscal transparency issues will clearly vary from country to country.

VIII. CONCLUSIONS

This background note has examined the diverse roles which civil society organizations can play in supporting fiscal transparency in developing countries. The recent experiences in Nigeria illustrate ways in which civil society groups have begun engaging with government authorities on fiscal transparency issues. Many challenges however exist in ensuring their more effective participation. As has been noted in this paper, civil society groups can improve their effectiveness by clearly defining their objectives, strengthening their technical competencies, developing effective communication strategies, engaging in pragmatic dialogue with relevant authorities, improving their lobbying skills and periodically examining their objectives and programs. Governments can also stimulate greater debate on fiscal transparency by improving access to relevant information, forming strategic alliances with CSOs, and involving CSOs in budget monitoring activities.

Greater civic engagement on fiscal issues is needed in African countries – and well-organized civil society groups can play a valuable role in this endeavour.

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