

Fiscal Discipline and Public Sector Accountability in Nigeria

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Abstract

Fiscal discipline and public sector accountability are pivotal to sustainable economic growth and development, particularly in developing economies such as Nigeria. This paper examines the interrelationship between fiscal discipline and public sector accountability in Nigeria, highlighting key challenges, policy gaps, and prospects for reform. Employing an exploratory approach, it investigates the theoretical foundations of fiscal discipline and accountability, and evaluates Nigeria's current fiscal framework using selected fiscal parameters to assess their effectiveness in promoting transparency, reducing corruption, and ensuring efficient resource allocation. The study suggests that to enhance fiscal discipline and strengthen public accountability, there is a need for institutional reforms, capacity building, and the adoption of digital governance systems.

Introduction

Governments across the world bear the responsibility of providing for the welfare needs of their citizens through allocation, distribution, and stabilisation processes. The allocation function entails the division of total resources between private and public goods, thereby determining the optimal mix of social goods. The distribution function, on the other hand, involves the adjustment of income and wealth distribution to align with society's perception of fairness and justice. The stabilisation function utilises budgetary policy to achieve macroeconomic objectives such as full employment, economic growth, price stability, and the maintenance of a favourable balance of payments (Asuru & Uko, 2022).

Since the early 1970s, both developing and industrialised nations have experienced a rising debt profile due to increased government expenditure aimed at development. On aggregate, fiscal balances in both industrial and developing economies have been

negative for many years, with an average annual deficit of approximately 3 percent of GDP in both groups (IMF, 2018).

All governments face budget constraints, necessitating fiscal discipline. These constraints pertain to long-term government debt, rather than merely short-term fiscal deficits. The issue is not solely the debt's magnitude in any given year, but also how it evolves over time. Financial discipline may accommodate a significant debt level that is declining, but not one that continually rises (Adekunle et al., 2021).

Fiscal deficits often reflect various adverse domestic and external shocks that directly and indirectly impact budgets through the economic environment. Besides shocks related to economic activity, other disruptive factors include terms-of-trade shocks, financial market volatility, political instability, and natural disasters (IMF, 2018). However, the persistence of fiscal deficits and the steady increase in public sector indebtedness over extended periods in many countries suggest the influence of more fundamental issues. Chief among these are inadequate fiscal discipline and weak fiscal management.

Fiscal discipline refers to a government's capacity to maintain sound financial operations and long-term fiscal health. It is essential for improving economic performance, ensuring macroeconomic stability, and reducing vulnerabilities (Uwaleke, 2018). According to Periola-Fatunsin (2023), fiscal discipline entails managing public finances prudently to ensure sustainability, reduce deficits, control debt, and allocate resources efficiently. It includes measures such as balanced budgets, transparency, debt sustainability, and adherence to fiscal rules. Uwaleke (2018) identifies three key perspectives of fiscal discipline: firstly, financing current operations solely from current revenue, which avoids shifting tax burdens to future generations; secondly, ensuring government agencies implement the Appropriation Act faithfully by spending only on legislatively approved items; and thirdly, the legislature meeting deadlines and targets on resolutions, budgets, and appropriation bills.

From these perspectives, fiscal discipline can be understood as the maintenance of fiscal positions consistent with macroeconomic stability and sustained growth. This implies avoiding excessive borrowing and the misallocation of funds intended for specific institutions or projects (Adelekan et al., 2021). Accordingly, prudent policy-making is needed to balance resource allocation and distributional objectives, while also smoothing output fluctuations (IMF, 2018). Furthermore, it is advisable to establish budgetary buffers to respond to adverse shocks and to address foreseeable fiscal pressures, such as those associated with population growth and ageing.

Unfortunately, the breakdown of fiscal discipline, spanning political, procedural, and institutional components of public budgeting, has exposed systemic weaknesses. Political unwillingness has caused delays and hindered consensus-building. Procedural issues have resulted in off-budget spending and re-budgeting practices, while institutional challenges have led to missed resolution deadlines and inappropriate use of supplemental appropriations (Adelekan et al., 2021). The cumulative failure of these components has resulted in widespread fiscal indiscipline.

Fiscal indiscipline has been cited as a significant contributor to the low levels of financial development and economic growth in developing countries. Key features of fiscal indiscipline include policy uncertainty, corruption, poor budgeting practices, unsustainable fiscal policies, and the crowding-out effect of public sector spending (Evans, 2020). These issues, particularly in developing countries, have far-reaching negative implications for financial development and economic performance. Maintaining fiscal discipline is therefore critical for macroeconomic stability, reducing vulnerabilities, and enhancing overall economic performance. This is especially important if countries are to confront the challenges and capitalise on the opportunities presented by economic and financial globalisation. Fiscal indiscipline often results from the injudicious use of discretion in budget formulation and implementation. While discretion allows policymakers to respond to shocks and fulfil electoral mandates, it can be misused, leading to deficit bias, procyclical policies, weak fiscal positions, rising debt, and a loss of policy credibility over time (IMF, 2018).

Policy analysts and the media have consistently identified a lack of transparency, accountability, and fiscal discipline as major obstacles to Nigeria's economic growth and development. It is widely argued that sustainable development is unachievable without comprehensive reforms to reposition the national economy through transparent and effective budgeting practices. Otinche (2016) outlines key principles guiding fiscal discipline, including: (i) a robust budgeting system; (ii) medium- to long-term revenue and expenditure estimates; (iii) budget preparation aligned with public needs; (iv) fiscal impact assessment of budgetary decisions; (v) structural balance between revenues and expenditures; (vi) timely passage of the budget; (vii) prudent execution of the budget with countercyclical measures; and (viii) debt profiling within sustainable and profitable thresholds.

These principles form the foundation for understanding public sector governance, the budgeting system, and fiscal discipline in Nigeria. Budgeting is central to economic and public sector reform programmes globally. With recurring budget crises, unsustainable fiscal policies, and rising demands for improved service delivery, Nigeria urgently needs to reform its budgetary processes. This urgency led to the enactment of the Fiscal

Responsibility Act and the adoption of the Medium Term Expenditure Framework. Both instruments aim to curb financial profligacy and reckless spending. Despite their adoption by various levels of government, the absence of concrete reforms has hindered the realisation of enhanced fiscal discipline and reduced corruption (Evans, 2020).

The public sector is the mechanism through which the government delivers essential social services and infrastructure. Junaidu and Aminu (2015) describe it as an entity responsible for managing national resources on behalf of citizens. According to Udeh and Sopekan (2015), the public sector includes entities that implement public policy by providing services and redistributing income and wealth, funded mainly through compulsory taxes or levies. In modern democracies, public sector performance is assessed based on financial, public, and growth objectives. Financial objectives relate to meeting taxpayers' expectations, public objectives to citizen satisfaction (including non-taxpayers), and growth objectives to improvements in economic performance and international relations (Udeh & Sopekan, 2015).

Public sector organisations exist to deliver public services. Ofoma (2022) defines public service as the machinery through which government policies and programmes are implemented. It is the channel through which government presence is felt and services are delivered. Fundamentally, public service exists to serve the citizens (Shittu, 2020). In Nigeria, public service institutions, including Ministries, Departments, and Agencies (MDAs), translate policies into tangible services. As Shittu (2020) explains, the term “public” refers to the citizenry within a given geographic area, and public service implies service delivery that is non-profit-driven. Egugbo (2020) adds that public service aims to prevent exploitation, ensure constant service delivery, limit monopolies, and foster economic development.

Therefore, service delivery is the core function of public service. It bridges the gap between government and citizens and reinforces national values (Shittu, 2020). Effective service delivery depends on accountability.

In the context of public service delivery, accountability implies the obligation of individuals entrusted with responsibilities (financial or otherwise) to provide transparent accounts of their activities. Eyung and Udeh (2023) define accountability as the willingness to accept responsibility and be transparent. It entails being answerable for effective financial performance. Bulama et al. (2023) emphasise that accountability involves one entity reporting its activities to another. Unfortunately, accountability failures have eroded public confidence in both political and business leaders. This decline is reflected in Nigeria's worsening corruption ranking, which fell from 146 in 2019 to 149 in 2020 (Transparency International, 2021).

Since the return to democratic governance in 1999, Nigeria has embarked on various fiscal reforms, including the Monetisation Policy (2000), the Fiscal Responsibility Act (2007), public procurement reforms, the Integrated Payroll and Personnel Information System (IPPIS), the Treasury Single Account (TSA), and the Nigerian Extractive Industries Transparency Initiative (NEITI). These reforms were aimed at strengthening governance and accountability within the public sector to ensure effective service delivery (Otinche, 2016). Institutions such as the Code of Conduct Bureau, the Economic and Financial Crimes Commission (EFCC), and the Independent Corrupt Practices and Other Related Offences Commission (ICPC) were established to monitor compliance. However, the extent to which these reforms have enhanced public sector accountability in Nigeria remains uncertain. This, therefore, constitutes the rationale for this study—to examine the impact of fiscal discipline on public sector accountability in Nigeria.

Literature Review

Fiscal Discipline

The concept of fiscal discipline conveys a definitive culture of efficient resource management and sound economic governance (Otinche, 2016). It is also viewed as a principle enabling governments to maintain fiscal positions that do not create macroeconomic imbalances, but instead foster stability and economic growth (Adekunle et al., 2021). As an ethical requirement in both public and private administration, and a prerequisite for democracy and sustainable development, the concept imposes multi-sectoral and multicultural ethics on all economic resource managers (public officials, the electorate, taxpayers, and corporate individuals), compelling them to align their expenditures with available resources, thereby promoting efficiency in resource management and public administration.

The core emphasis of fiscal discipline is on incurring public expenditure strictly within the confines of available resources and ensuring the efficient implementation of budgets within the statutory authority conferred on Ministries, Departments and Agencies (MDAs). Fiscal discipline may further be described as a process involving checks and accountability mechanisms for managing public finances and budgets. It encompasses fiscally prudent and long-term management of government spending, taxation, and debt (Madunezim et al., 2023). A state's economic stability and overall well-being are closely tied to its ability to exercise fiscal restraint, ensuring an optimal balance between revenues and expenditures. Fiscal discipline plays a crucial role in reducing development costs by ensuring the efficient and effective management of financial resources. In contrast, fiscal rascality emerges in situations of inadequate budget regulation, often as a result of off-budget excessive spending.

Communities that practise fiscal discipline can optimise budget allocations, reduce wasteful spending, and maximise the developmental impact of their investments. To realise these benefits, Madunezim et al. (2023) recommend that communities prioritise projects based on their economic and social merits. This ensures that resources are channelled towards initiatives with the highest potential for positive impact. In addition, budgets should be carefully planned and monitored to allow tracking of expenses and timely adjustments. Debt financing should be limited to reduce interest payments and the debt-servicing burden. Competitive bidding should be employed in development projects to yield cost savings and ensure better value through contractor competition. Resources must be efficiently allocated to critical, life-saving infrastructure. Finally, the adoption of transparent and honest financial processes will help curb corruption and reduce the overall cost of projects.

The effectiveness of any organisation (public or private) is a function of sound financial management. The quality of services provided is closely linked to the financial resources available and the fund managers' ability to handle these resources with integrity, transparency, caution, and accountability (Ubesie et al., 2022). The extent to which public financial managers can uphold transparency and accountability depends on adherence to good governance practices. According to Uko and Asuru (2022), good governance is characterised by responsiveness and a focus on poverty eradication, inclusiveness, equity, impartiality, and fairness, while transcending any form of discrimination and considering both present and future generations. In line with this, Ibrahim (2024) posits that good public governance requires the implementation of effective anti-corruption measures to spur economic growth. By employing the World Governance Indicators (WGI)—voice and accountability, rule of law, control of corruption, regulatory quality, government effectiveness, and political stability and absence of violence, Ibrahim (2024) suggests that these indicators serve as advocacy tools for policy reform and monitoring.

The WGI indicator for *Voice and Accountability* ensures the availability of information that allows for the measurement of governmental misuse of power, thereby promoting accountability. A lack of accountability and transparency, by contrast, may lead to social instability and an unfavourable environment for economic growth. The *Rule of Law* indicator assesses the extent to which individuals have confidence in and adhere to society's rules, including the quality of contract enforcement, protection of property rights, effectiveness of police and judicial institutions, and the likelihood of crime and violence. Good public governance necessitates laws that are clearly established, publicly accessible, and comprehensible to all citizens—there should be no secret laws. The *Control of Corruption* indicator evaluates the extent to which public power is diverted for private gain, encompassing both petty and grand corruption as well as

undue state capture by elites. Corruption deters investment and obstructs economic progress. Enhancing governance through effective regulatory frameworks can mitigate corruption. The *Regulatory Quality* indicator measures the government's capacity to devise and enforce sound policies and regulations conducive to private sector development. Economic progress is linked to improved regulatory systems that incentivise efficiency in both public and private sectors. *Government Effectiveness* captures public perceptions of service delivery, civil service quality and independence, policy formulation and execution, and the government's credibility in implementing policies. Public governance enhances national development by promoting resource efficiency, while mismanagement of public revenues undermines growth.

Finally, the *Political Stability and Absence of Violence/Terrorism* indicator reflects perceptions regarding the likelihood of a government being destabilised or overthrown through unconstitutional or violent means. Political stability depends on a country's ability to regulate social change, guide innovation that may threaten the system, and manage development effectively (Uko & Asuru, 2022; Ibrahim, 2024).

Olaoye et al. (2021) observe that successive Nigerian governments have recognised the challenges of public fund mismanagement, arising from lack of transparency, weak accountability, corruption, financial leakages, budgetary excesses, poor cash management, and inefficient resource allocation. In an attempt to improve financial control in the public sector, the government promulgated the Fiscal Responsibility Act (FRA) in 2007 to instil fiscal discipline in public sector enterprises.

According to Beredugo and Ekpo (2022), the FRA 2007 was introduced to promote transparency in budget planning and formulation by ensuring that budget sessions are open to public scrutiny. Otinche (2016) adds that the FRA provides a legal framework for efficient public financial management by MDAs and across all three tiers of government. The principal components of the FRA 2007 include the Medium-Term Expenditure Framework (MTEF), the annual budget, and national revenue and debt administration.

The MTEF promotes the government's macroeconomic policy through coordinated planning around taxation, recurrent (non-debt) expenditure, debt servicing, capital expenditure, borrowing and lending, and other developmental priorities within a three-year fiscal framework (Budget Office of Nigeria, 2023). This framework is elaborated in the Fiscal Strategy Paper (FSP), which is based on a Pre-determined Commodity Reference Price (PCRP) and projected tax revenues. The FSP includes a Consolidated Debt Statement (CDS), which offers descriptive analysis on debt liability and strategies

for mitigation. It also provides details on contingent liabilities and quasi-fiscal activities, including measures to mitigate their potential impact (Attamah et al., 2021).

The annual budget is a key policy instrument for macroeconomic development (Olaniyan & Efuntade, 2020). It is formulated in accordance with the MTEF, as stipulated in Part 3, Sections 18(1–2) of the FRA. The budget is accompanied by: (i) cost control measures and a revenue framework with monthly collection targets based on the RCP; (ii) fiscal targets informed by inflation rates; (iii) fiscal account balances and appendices assessing risks to the budget; and (iv) mitigation strategies as required by Sections 19–20 of the FRA. Section 21 (2a–b) requires all MDAs to prepare budget estimates for the forthcoming three fiscal years, aligned with Acceptable Accounting Practice (AAP). Section 22 of the FRA mandates each MDA to establish a General Reserve Fund (GRF), into which one-fifth of its operating surplus is deposited annually, while the remainder is transferred to the Consolidated Revenue Fund (CRF) of the Federal Government within one month. These surpluses are classified as Federal Treasury Revenue (FTR) (Otinche, 2016; Budget Office of Nigeria, 2013).

An efficient debt management policy is another fiscal measure embedded within the MTEF to promote macroeconomic stability. Public debt in Nigeria is managed by the Debt Management Office. Section 7 and 50, Part 1 of the Second Schedule of the 1999 Constitution, and Section 41(1a–b) of the FRA 2007, outline a debt sustainability framework for the government. The Constitution specifies conditions and limits for consolidated debt applicable to all tiers of government. Any borrowing must include a stated purpose and a cost-benefit analysis. Section 45 of the FRA requires financial institutions to confirm compliance with borrowing conditions before granting loans to any governmental entity. Sections 48–50 of the FRA emphasise the need for periodic audits and public disclosure of government income and expenditure.

Despite these reform measures, it is noticed that MTEF is still undergoing an experimentation process in Nigeria, as it has not been realistic in budget indicator forecast and that the 3-year framework seems to be hampered by macroeconomic shocks like oil prices upon which the framework is built for oil producing economies and inflation dynamics. Again, the influence of economic crisis with second-round and contagion effects have undermined the impact of MTEF on the economies. Thus, the practice of fiscal discipline in Nigerian polity is elusive and the extent to which it can bring about accountability in the public sector enterprise is doubtful.

Public Sector Accountability

The public sector is a part of the economy established, operated, and financed by the government. Its agencies are distinct from those of the private sector and function on

behalf of the entire populace (Akinwunmi & Akinola, 2019). Olaniyan and Efuntade (2020) observe that, in Nigeria, public sector offices are components of public institutions that are partly or wholly financed through the government budget and are tasked with delivering basic government services to society. This is facilitated by managing public finances, with controls embedded within the public financial management system.

In the public sector, financial management is governed by legal and organisational frameworks that are essential for overseeing all stages of the budget cycle. These include budget preparation, internal control and audit, procurement, monitoring and reporting arrangements, and external audits. The overarching objectives of public financial management are to ensure fiscal discipline, allocate resources to priority areas, and deliver public services efficiently and effectively.

It is noteworthy that the public sector in Nigeria is a leading economic force and facilitates economic maturity through the principle of accountability. This implies that, for effective resource management, robust accountability systems must be established. However, as noted by Beredugo and Ekpo (2022), practitioners and researchers have observed that management incompetence and inadequacy remain major impediments in the Nigerian public sector. Consequently, numerous public sector reforms have been introduced to enhance accountability mechanisms.

Accountability entails being answerable to those who have entrusted their faith, resources, and authority to others acting on their behalf. It is a cornerstone of good governance, necessitating that market participants, including relevant authorities, justify their actions and policies and accept responsibility for both decisions and outcomes (Ubesie et al., 2022). Accountability is further conceptualised as the duty of an agent to demonstrate that the principal's work has been executed in line with established norms and standards, with honest and fair disclosure of performance outcomes. It involves acting transparently, in accordance with legal requirements, and being open to feedback.

Public accountability is therefore crucial in a democratic system, as policymakers and implementers (agents) are expected to explain their decisions to their constituents (principals). According to Ubesie et al. (2022), accountability comprises two distinct stages: *answerability* and *enforcement*. *Answerability* refers to the obligation of governments, their agencies, and officials to provide and justify information regarding their decisions and actions. *Enforcement* implies that the public or oversight institutions can impose sanctions or correct any infractions. Otalor et al. (2022) note that different institutions may be responsible for one or both of these stages. In their view, the key

elements of public accountability include public accessibility (transparency) and answerability. Accountability, therefore, exists when individuals or bodies are subject to oversight and are required to justify their performance or actions.

It has been observed that comprehensive accountability remains insufficient, partly due to structural issues within the accountability system and partly due to the expanding expectations and objectives attached to it. As such, accountability must be strategically planned to yield meaningful reforms in economic governance, not merely to expose wrongdoing. Future accountability systems should address both macro-level economic and financial sustainability and local-level service delivery. A three-tier system of responsibility is advisable: between government and legislatures; among political and non-political civil servants; and within intragovernmental relationships.

The universal challenge of limited resources in the face of increasing societal needs underscores the necessity for efficient economic resource utilisation. Public funds are therefore expected to be used prudently, with comprehensive recordkeeping to ensure transparency and accountability. In this context, accountability ensures that documentation supports past expenditures. While the resources available are often static or declining, the costs of governance and development are steadily rising. Consequently, developing countries such as Nigeria face difficulties in meeting all public demands. Accountability is thus essential to ensure that limited resources are maximised for public benefit.

As a critical aspect of public fund management, accountability encompasses a legal and reporting framework, organisational structures, strategies, procedures, and actions aimed at ensuring that public money is spent responsibly and that decision-makers are answerable for their actions (Otalor et al., 2023). It reinforces the obligation of government and its agencies to serve the public in accordance with the rule of law (Olaoye et al., 2021). The exponential increase in both the scope and financial value of public sector activities has led to a higher demand for accountability from public officers. This suggests that public sector accountability should involve a broad spectrum of oversight institutions. For instance, oversight of public resource utilisation should engage parliamentarians, public institutions, courts, inquiry commissions, civil society organisations, and the media (Bulama et al., 2023). It is through this multi-agency oversight that key principles of accountability—transparency, fairness, integrity, and trust—can be upheld.

Strengthening accountable and responsive public governance, grounded in transparency and a well-functioning public sector that delivers quality services in line with citizens' needs and prudent fiscal management, is vital to Nigeria's poverty

reduction agenda and broader economic development. A sustainable accountability system must rest on what scholars identify as the fundamental dimensions of accountability: financial, administrative, political, and social accountability.

- Financial accountability involves establishing controls over government revenue and expenditure to ensure that public funds are utilised in the public interest.
- Administrative accountability requires robust internal control systems including ethical codes, criminal sanctions, and administrative reviews that reinforce the constitutional mechanisms of checks and balances supported by an informed citizenry.
- Political accountability is achieved through free, fair, and transparent elections where citizens exercise the power to retain or remove elected officials based on their performance.
- Social accountability encompasses a range of civic actions through which citizens use their constitutionally guaranteed rights to hold the state accountable (Olaoye et al., 2021; Ubesie et al., 2022; Otalor et al., 2023).

According to Beredugo and Ekpo (2022), transparency and accountability are essential to the success of national policy objectives globally. However, the Nigerian government has often failed to align macroeconomic goals and sectoral priorities with budget programmes. Budgets frequently contain inadequately prepared and unimplementable items. Notably, the term *budget padding*—where the leadership of the National Assembly clandestinely inserts additional items into the budget for ulterior motives—has become prevalent in Nigeria, undermining budget credibility and promoting fund diversion in Ministries, Departments, and Agencies (MDAs).

The high level of fiscal irresponsibility exhibited by government impedes its operational effectiveness. A fiscally irresponsible government struggles to sustain essential programs and, depending on the severity of its budgetary issues, may even fail to finance basic public services. This can erode both domestic confidence and international credibility, adversely affecting national development. Therefore, the continuous call for fiscal responsibility—through enhanced budget transparency, inclusive participation, and sound financial accountability—is critical to safeguarding the integrity and effectiveness of public expenditure. These measures ensure that public resources are used as intended and meet the needs of the populace (Beredugo & Ekpo, 2022).

Theoretical Underpinnings

The theoretical foundation for this study is grounded in principal-agent theory, also known as agency theory. Evaluating public accountability necessitates a clear specification of who is accountable to whom—a central concern of principal-agent

theory (Gailmard, 2012). Originally formulated by Michael Jensen and William Meckling in 1976, and later expanded upon by Nobel laureate Eugene Fama in the 1980s, agency theory gained prominence as interest in corporate governance and transparency intensified (Linder & Foss, 2015).

Agency theory, a branch of neoclassical economics, has been widely applied to the management of corporate and public institutions. In principal-agent models, an *agent* (individual or group) acts on behalf of a *principal* (individual or group). The principal influences the agent's actions by structuring incentives through what is conceptually framed as a contract. Hence, principal-agent theory is often considered a subset of the broader contract theory (Bolton & Dewatripont, 2004).

The theory addresses the challenges that arise from delegating tasks in contexts of information asymmetry and conflicting interests. It assumes that both parties act rationally and are driven by self-interest. Agency problems emerge in two main forms:

- Moral hazard (hidden action): The agent undertakes actions that affect the principal's welfare, but the principal cannot directly observe these actions. Instead, the principal can observe outcomes correlated with the agent's actions and may reward or penalise the agent accordingly.
- Adverse selection (hidden information): The agent holds information unknown to the principal, and while the principal requires this information to act in her best interest, the agent may prefer that it be used differently.

In the context of public sector management, the *agents* represent governmental authorities (both executive and legislative) who are entrusted with managing public resources for the common good. The *principals* are the citizens or electorate who delegate this responsibility. This stewardship relationship is marred by information asymmetry, which necessitates mechanisms for accountability. The expectation of stewardship reporting by agents to principals has inspired numerous public service reforms aimed at ensuring transparency and accountability in the management of state resources.

The significance of principal-agent theory to this study lies in its focus on the *responsiveness* of agents to the goals of the principals. This responsiveness is shaped by the institutional context in which both actors operate, as well as the set of actions available to each. The theory thus provides a suitable analytical framework for examining accountability within political and public institutions.

Furthermore, the growing relevance of this theory can be linked to the electorate's increasing demands for governance reforms, particularly in Nigeria's public sector.

Since the country's return to democratic rule in 1999, agency theory has provided a critical lens for understanding and critiquing the performance of public officials and institutions. It has influenced calls for reforms aimed at enhancing transparency, curbing corruption, and promoting effective service delivery.

Indices of Fiscal Discipline

Fiscal discipline involves the responsible management of public finances, encompassing revenue generation, expenditure control, and debt management. It is evaluated using standard measures that correspond to various fiscal discipline theories.

Key measures include:

- **Budget Deficit and Budget Deficit/GDP Ratio**

The budget deficit-to-GDP ratio is a commonly used measure of fiscal discipline, as it reflects the size of the budget deficit relative to the economy. According to the Central Bank of Nigeria, as reported in <https://tradingeconomics.com/nigeria/government-spending>, Nigeria recorded a government budget deficit of ₦4,533.42 billion in the second quarter of 2024. Between 2010 and 2024, the government budget value in Nigeria averaged ₦1,056.07 billion, reaching an all-time high of ₦38.36 billion in Q3 2010 and a record low of ₦-4,533.42 billion in Q2 2024. Furthermore, Nigeria recorded a government budget deficit equal to 6.10 percent of the country's Gross Domestic Product in 2023. From 1981 to 2023, the government budget in Nigeria averaged -2.73 percent of GDP, with a peak of 0.80 percent in 1996 and a trough of -8.60 percent in 1993. Nigeria's tax-to-GDP ratio stands at 6.3%, one of the lowest globally and significantly below the Sub-Saharan African average of 16% (OECD, 2023).

- **Public Debt and Public Debt/GDP Ratio**

The public debt-to-GDP ratio is another widely used measure of fiscal discipline, as it reflects the size of the public debt relative to the economy. Nigeria's public debt rose to \$113.4 billion as of Q2 2023, with a debt service-to-revenue ratio exceeding 83%, leaving minimal fiscal space for development projects (Debt Management Office, 2023). The Debt Management Office, Nigeria, as cited in <https://tradingeconomics.com/nigeria/government-spending>, further reports that government debt in Nigeria decreased to \$91,347.09 million in Q2 2024 from \$91,463.99 million in Q1 2024. Between 2012 and 2024, government debt averaged \$78,209.84 million, reaching an all-time high of \$114,350.00 million in Q3 2023 and a record low of \$48,361.37 million in Q1 2013.

- **Primary Balance**

The primary balance measures the government's ability to meet its current obligations without incurring additional debt; it is the budget balance excluding interest payments. A positive primary balance indicates stronger fiscal discipline, while a negative primary balance suggests reliance on borrowing. Nigeria's primary balance is influenced by factors such as oil price volatility, revenue diversification efforts, public expenditure patterns, and fiscal policy. As noted by Periola-Fatunsin (2023), the primary balance showed an upward trend from 1999 to 2008 but dipped in 2009 and 2016 due to declines in government revenue occasioned by the global financial crisis, falling oil prices, and reduced oil production. The trend in primary balance reflects the complex interplay of economic factors, global events, and Nigeria's revenue sources.

- **Budget Variances**

Budget variances refer to differences between projected and actual budget figures (expenditure and revenue). Expenditure variance reflects the government's ability to control spending, while revenue variance indicates its capacity to generate revenue beyond projections. The 2023 federal budget was 36% larger than the previous year, driven by unsustainable spending. Capital expenditures constituted only 23%, while recurrent expenditures absorbed 77% (Nigerian Ministry of Finance, 2023). Additionally, oil accounts for approximately 7.5% of Nigeria's GDP but contributes over 70% of government revenue. The price of Brent crude oil fluctuated between \$41 and \$120 per barrel from 2020 to 2023, causing significant revenue instability (World Bank, 2023).

Other measures or indicators of fiscal discipline include the timeliness of budget approval, the sustainability of social welfare programmes, and long-term fiscal planning. Promoting transparency, accountability, and anti-corruption initiatives strengthens responsible fiscal management and enhances the foundation of fiscal discipline.

Given these indices, concerns arise regarding the level of transparency and accountability in the management of public resources. In the 2018 Open Budget Index (OBI) rating, Nigeria scored the lowest (17 out of 100) in transparency among African countries. The OBI assesses the comprehensiveness and timeliness of budget information made publicly available by governments. Unfortunately, it was noted that the Federal Government of Nigeria provides citizens with insufficient budget information, making it difficult for taxpayers to understand how elected officials utilise available resources. Furthermore, the budget process incorporates very little public feedback, and the final budget document does not disclose how the limited feedback is

considered. Nigeria's score declined from 24 in 2015 to 17 in 2018. Within Africa, Nigeria currently ranks 23rd, behind Rwanda, Zimbabwe, and Liberia, while South Africa, Uganda, and Senegal lead the index.

Compared with Botswana, which adopts strong fiscal rules, prudent natural resource management, and effective anti-corruption measures; Rwanda, which leverages digital governance to enhance transparency and reduce leakages; and Chile, which has established sovereign wealth funds to stabilise revenues and ensure intergenerational equity, Nigeria's fiscal space management suffers from systemic corruption, institutional weaknesses, and low civic engagement. The lack of accountability exacerbates fiscal indiscipline, manifesting in inflated contracts, ghost workers on government payrolls, and the diversion of public funds, among others.

- **Systemic Corruption**

Nigeria ranked 150th out of 180 countries on the 2023 Corruption Perceptions Index (CPI), scoring 24/100—well below the global average of 43/100 (Transparency International, 2023). Between 1996 and 2023, Nigeria's Corruption Index averaged 21.48 points, peaking at 28.00 in 2016 and falling to a low of 6.90 in 1996. According to the African Union Commission (2023), an estimated \$18 billion is lost annually to corruption in Nigeria, equivalent to 1.8% of GDP.

- **Institutional Weaknesses**

The Auditor-General's report for 2022 identified ₦11 trillion in unremitted funds and misappropriations across federal ministries and agencies. In response, the Economic and Financial Crimes Commission (EFCC) recorded a 38% prosecution rate in corruption-related cases in 2023, indicating enforcement challenges (EFCC Annual Report, 2023).

- **Limited Civic Engagement**

Limited civic engagement is evidenced by voter apathy. During the 2023 general elections, voter turnout was just 29%, reflecting low civic participation and diminishing trust in governance. A survey by Afrobarometer (2023) found that 67% of Nigerians believe that ordinary citizens cannot influence government decisions, further discouraging engagement. Weak fiscal discipline, in turn, erodes public trust and undermines the legitimacy of governance structures, creating a vicious cycle of inefficiency and poor service delivery.

Comparatively, Botswana maintains a debt-to-GDP ratio below 20% through fiscal prudence and effective resource management (IMF, 2023). The country ranked 35th on the 2023 CPI with a score of 60/100, demonstrating robust anti-corruption frameworks.

In Rwanda, over 90% of government procurement is conducted through an e-procurement system, which has reduced procurement fraud by 60% since its introduction in 2015 (World Bank, 2023). Chile's Sovereign Wealth Funds, valued at \$20 billion, buffer the economy against external shocks and promote fiscal stability (Chile Ministry of Finance, 2023).

Openness and public disclosure of government financial activities and decisions are essential for promoting fiscal prosperity. In their absence, corruption is more likely to thrive. Indicators of fiscal discipline and accountability, when compared with select African countries, are presented in Table 1 below:

Table 1: Fiscal and Accountability indicators in Nigeria relative to select African Countries

Fiscal indicators	Value	Accountability indicators	Value
Oil revenue as % of Govt. revenue	70%	CPI rank (2023)	150 th /180
Tax-GDP-ratio	6.3%	CPI score (2023)	24/100
Debt-GDP-ratio	37%	Cost of corruption (\$)	\$18b
Debt-service-revenue	83%	Misappropriated fund (N)	N11trn
Capital exp. as % of total budget	23%	EFCC conviction rate (%)	38%
Comparative Analysis			
Country		Key Achievements	
Botswana		Debt-GDP-ratio	<20
Rwanda		90% e-procurement, 60% fraud reduction	
Chile		Sovereign wealth fund of \$20b	

Source: Budget, 2024

The information presented above underscores the critical need for fiscal discipline and enhanced accountability in Nigeria. By leveraging successful international examples and adopting data-driven policies, Nigeria can overcome its fiscal and governance challenges. The fiscal discipline reforms when properly adopted and implemented, offer a pathway to sustainable development and improved public trust.

Conclusion and Recommendations

Nigeria's economic future hinges on the effective management of public resources and the establishment of a culture of transparency and accountability. Addressing the challenges of fiscal indiscipline and weak accountability mechanisms requires a comprehensive strategy involving institutional reforms, technological adoption, and active citizen participation. The experiences of other nations demonstrate that, with the right mix of political will and systemic reforms, Nigeria can achieve sustainable fiscal and governance outcomes. The following suggestions are therefore considered appropriate if the culture of fiscal discipline is to be promoted in the Nigerian sector:

Institutional strengthening should be ensured by granting financial and operational autonomy to oversight bodies such as the Office of the Auditor-General, whose financial and operational capacity currently accounts for less than 1% of the total budget. Furthermore, improved coordination among anti-corruption agencies is essential to enhance their collective effectiveness.

Digital Governance should be enhanced through the adoption and implementation of e-procurement and e-budgeting systems to increase transparency. This can be further complemented by leveraging blockchain technology to facilitate secure and auditable public transactions.

Public Financial Management (PFM) Reforms must ensure the strict enforcement of the Fiscal Responsibility Act to curb budget overruns and eliminate wasteful expenditures. In addition, a comprehensive debt management strategy should be developed, prioritising concessional financing for development projects.

Citizen Engagement should be strengthened through sustained civic education aimed at empowering citizens to demand accountability. Moreover, whistleblowing should be actively encouraged, with appropriate legal frameworks in place to protect whistleblowers.

Economic Diversification efforts should focus on expanding the tax base by formalising the informal sector, thereby reducing tax evasion. This should be complemented by promoting non-oil sectors such as agriculture, manufacturing, and technology to stabilise and broaden government revenue sources.

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