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BUDGETING AND FISCAL RESPONSIBILITY IN NIGERIA'S PUBLIC SECTOR: EVALUATING THE EFFECTIVENESS OF THE FISCAL RESPONSIBILITY ACT (2007)

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ABSTRACT

Budgeting and fiscal responsibility remain central to effective public financial management, particularly in developing economies such as Nigeria, where fiscal indiscipline and mismanagement have historically undermined sustainable growth. In response, the Fiscal Responsibility Act (FRA) of 2007 was enacted to promote transparency, accountability, and prudent management of public resources. This study examined the effectiveness of the FRA in ensuring fiscal discipline and enhancing the credibility of Nigeria's budgeting process. The study evaluated whether the Act has reduced wasteful expenditure, improved compliance with fiscal rules, and fostered greater accountability in public sector financial management. The study adopted a historical research method, relying on secondary sources such as policy documents, government reports, and academic publications. The study is anchored on the Public Choice Theory, which provides insight into how institutional frameworks influence the behaviour of political and bureaucratic actors in managing public finances. Findings revealed that while the FRA has introduced mechanisms for debt management, medium-term expenditure frameworks, and monitoring of fiscal indicators, its implementation has been weakened by poor enforcement, political interference, and limited institutional capacity. The study concluded that the FRA has achieved modest success but has not fully curbed fiscal indiscipline in Nigeria. It recommended, among others, that the Fiscal Responsibility Commission (FRC) should be given greater independence, adequate funding, and enforcement powers. This would allow it to monitor compliance more effectively and sanction violations of fiscal rules without political interference. A strong commission will deter fiscal indiscipline and reduce loopholes in implementation.

Keywords: Budgeting, Fiscal Responsibility, Fiscal Responsibility Act (2007), Public Sector, Nigeria.

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INTRODUCTION

Budgeting is the backbone of public financial management because it translates policy priorities into resource allocations and measurable outputs. In Nigeria, the credibility of the budget and the discipline with which it is executed have long been subjects of national debate, owing to recurrent deficits, cost overruns, weak procurement compliance, and gaps between approved appropriations and outturns. Public budgeting serves as a critical instrument for allocating scarce resources, ensuring fiscal discipline, and promoting accountability in government financial operations (Dike & Eke, 2025a; Omolehinwa & Naiyeju, 2021). However, persistent institutional and structural constraints have historically weakened the effectiveness of the budgeting process in Nigeria, thereby limiting its developmental impact (Eke & Dike, 2025; Ojo, 2012).

The Fiscal Responsibility Act (FRA) of 2007 was enacted to address these challenges by entrenching transparency, accountability, and prudence within a medium-term fiscal framework, and by establishing the Fiscal Responsibility Commission (FRC) to monitor compliance across the federation (Federal Government of Nigeria [FGN], 2007). At its core, the FRA seeks to tether policymakers to hard budget constraints through legally backed rules on borrowing, debt sustainability, and medium-term planning, including the Medium-Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP), as well as mandatory reporting and consultation requirements. Empirical studies provide support for the effectiveness of these institutional mechanisms. For instance, Okpala, Adegbola, and Afolabi (2018) reported significant relationships between core FRA/MTEF components such as the macroeconomic framework, revenue projections, fiscal strategy paper, and medium-term fiscal risks and public sector financial management practice in Nigeria. Similarly, Okegbe (2019) found that the Fiscal Responsibility Act has a positive effect on budgeting and accountability practices in Nigeria by promoting transparency in fiscal reporting and strengthening institutional oversight mechanisms. More recent findings by Akpanowo and Mbobo (2025) further revealed that the FRA significantly influences budgeting processes, fiscal discipline, and corruption control within the Nigerian public sector.

In spite of these intended reforms, emerging evidence suggests that the practical implementation of fiscal responsibility frameworks remains inconsistent. While the FRA mandates periodic fiscal reporting and transparency in budget execution, non-compliance with these provisions continues to undermine effective public expenditure management within Ministries, Departments and Agencies (MDAs). For example, Nwawube et al. (2025) demonstrate that irregular publication of budget implementation reports weakens fiscal accountability and creates opportunities for diversion of public funds, particularly within the Federal Ministry of Education. A number of structural and institutional challenges have also been identified as barriers to effective budget implementation in Nigeria. These include delayed passage of appropriation bills, weak legislative oversight, bureaucratic inefficiencies, corruption, and unrealistic revenue projections (Nafisatu et al., 2019). Consequently, despite the introduction of fiscal reforms such as the FRA and the Medium-Term Expenditure Framework, Nigeria’s budgeting system continues to face significant challenges that undermine fiscal discipline and accountability.

Nearly two decades after the enactment of the FRA, Nigeria’s fiscal environment has evolved considerably. Oil price volatility, exchange rate pressures, revenue under-performance, and rising debt service obligations have placed additional strain on the budget process and tested the enforcement capacity of fiscal rules. Public finance statistics reported in official national data series reveal persistent pressures on revenue performance, expenditure growth, and fiscal deficit dynamics (Central Bank of Nigeria [CBN], 2022). In addition, official reports show that Nigeria’s public debt stock has expanded significantly in recent years, reflecting new borrowing, exchange-rate adjustments, and the securitization of central bank financing (Debt Management Office [DMO], 2025; National Bureau of Statistics [NBS], 2024). In response, successive administrations have emphasized medium-term budgeting frameworks, improved revenue mobilization, and enhanced fiscal discipline through policy instruments such as the Medium-Term Expenditure Framework and Fiscal Strategy Paper (Budget Office of the Federation, 2024). This broader concern with fiscal governance also aligns with recent evidence that effective financial institutions and strategic financing mechanisms are critical for infrastructure development and trade facilitation in Nigeria, especially under regional economic frameworks such as the African Continental Free Trade Area (Eke & Dike, 2025).

The effectiveness of the FRA therefore cannot be evaluated solely based on its statutory provisions; rather, it must be assessed in terms of its outcomes in promoting fiscal discipline, transparency, and responsible public financial management. Reports from the Fiscal Responsibility Commission indicate ongoing efforts to improve compliance with fiscal reporting requirements, but they also reveal persistent challenges such as delayed submission of fiscal documents by MDAs, capacity constraints, and uneven adherence to statutory reporting obligations (FRC, 2023). International frameworks such as the Public Expenditure and Financial Accountability (PEFA) assessment similarly emphasize that credible budgeting depends on the consistent application of fiscal rules across the entire budget cycle from planning and approval to execution, reporting, and external oversight (PEFA Secretariat, 2022). It is against this background that this study examines the effectiveness of the Fiscal Responsibility Act (2007) in strengthening budgeting practices and fiscal discipline in Nigeria.

Statement of the Problem

Despite a comprehensive legal framework, Nigeria continues to grapple with budget credibility gaps, pro-cyclical fiscal behavior, and rising fiscal risks. The FRA mandates a medium-term perspective, debt limits, and regular reporting, yet deviations between approved budgets and actual outturns, delayed releases, and virements persist, suggesting that compliance is uneven and enforcement incomplete (FRC, 2023). The Commission’s statutory powers include monitoring and sanction recommendations, but in practice, political interference, resource constraints, and coordination challenges with the executive and legislature appear to dilute deterrence. This raises the central problem: Why has a strong law produced only modest improvements in fiscal discipline, and what institutional, political, and technical factors explain the implementation gap?

A second dimension of the problem lies in debt dynamics and fiscal risks. Official publications document significant increases in public debt and debt service, partly reflecting exchange rate shifts and new borrowing to finance deficits (DMO, 2025; NBS, 2024). The FRA requires prudent borrowing tied to capital projects and a sustainable debt framework; however, weak project appraisal, cash management frictions, and arrears accumulation risk undermine value for money and intergenerational equity. The question is whether the FRA’s debt provisions and oversight mechanisms are sufficiently operationalized to restrain unsustainable practices and improve transparency around contingent liabilities and quasi-fiscal activities.

Third, forecasting and credibility issues continue to challenge the MTEF/FSP process. While the Budget Office produces the MTEF annually, macro-fiscal assumptions (oil price/production, exchange rates, inflation, growth) and revenue projections often face shocks and implementation slippages, leading to mid-year adjustments and a widening credibility gap. This suggests limits in institutional capacity, data quality, and risk management, precisely the areas the FRA sought to strengthen through rules and transparency. The core problem here is whether the MTEF/FSP has been internalized as a discipline that guides ceilings and trade-offs or remains a compliance document that is weakly linked to execution.

Fourth, transparency and citizen oversight, critical for enforcing fiscal responsibility, remain uneven. While the law promotes public consultation and disclosure, the timely publication of in-year execution reports, procurement information, project registers, and performance results is inconsistent, limiting external scrutiny by civil society, media, and legislatures. International assessments emphasize that sustained gains in public financial management require end-to-end transparency and audit follow-through; where these are weak, formal rules cannot overcome the incentive problems that Public Choice theory predicts (PEFA Secretariat, 2022; IMF, 2024).

Finally, the political economy of reform makes enforcement more difficult. Efforts to strengthen fiscal discipline, such as stricter borrowing limits, elimination of broad subsidies, and rationalization of public spending, often come with immediate political costs, even though they yield long-term benefits. In the absence of credible enforcement mechanisms and strong oversight institutions, policymakers may fall back into patterns of deficit spending, accumulation of arrears, and overly optimistic budget forecasts. The recurrence of these practices suggests that the incentives and penalties built into the Fiscal Responsibility Act are either too weak or not applied consistently. To resolve these challenges, practical reforms are necessary. These include enhancing the sanctioning powers of the Fiscal Responsibility Commission, adopting binding top-down expenditure ceilings, tightening cash and commitment controls, and expanding real-time fiscal transparency to empower citizens to hold government accountable. Such concerns are consistently highlighted in both domestic reports and international assessments.

The central issue examined in this study is not whether fiscal rules exist, but rather the challenge of implementation, the disconnect between the provisions of the law and the actual fiscal outcomes achieved. This research seeks to assess the effectiveness of the Fiscal Responsibility Act by measuring it against practical indicators such as budget credibility, fiscal transparency, and debt sustainability. Through this evaluation, the study intends to identify the critical obstacles hindering effective application and to recommend reforms that can translate the Act's legal intentions into tangible improvements in Nigeria's public sector budgeting.

Objectives of the Study

The study's objectives are to:

- Assess the extent to which FRA provisions, borrowing and debt limits, quarterly budget execution reports, and public consultation are implemented;
- Evaluate the FRA's influence on budget credibility (variance between approved and actuals), fiscal transparency, and debt sustainability;
- Identify institutional and political economy bottlenecks hampering enforcement; and
- Recommend actionable reforms to strengthen the legal-institutional architecture for fiscal responsibility.

METHODS

This study employed a historical research method**,** which primarily involves the systematic collection, evaluation, and interpretation of secondary data from past and contemporary sources.

The choice of this method is appropriate because it allows the researcher to trace the evolution of fiscal institutions in Nigeria, particularly the Fiscal Responsibility Act (2007), and to examine how its provisions have been implemented over time. Through focusing on historical patterns, the study highlighted institutional changes, policy shifts, and the extent to which fiscal reforms have addressed recurring challenges such as budget indiscipline, weak transparency, and rising debt. The method also facilitates an exploration of path dependence**,** that is, how past fiscal practices and political decisions continued to shape current outcomes.

To strengthen reliability, the study draws on a wide range of secondary sources, including official government reports, policy documents, publications from the Fiscal Responsibility Commission (FRC) and Debt Management Office (DMO), international financial institutions' assessments, as well as journal articles. Through triangulation, these diverse materials are cross-checked against one another to validate claims and minimize the risks of bias or misrepresentation that may arise from relying on a single source. This approach ensures a more balanced and comprehensive understanding of how the FRA has functioned in practice and the extent of its effectiveness in improving budgeting and fiscal responsibility in Nigeria's public sector.

THEORETICAL FRAMEWORK

This study is anchored on Public Choice Theory. Public Choice Theory was formally developed by James M. Buchanan and Gordon Tullock in 1962 with the publication of their influential book "The Calculus of Consent: Logical Foundations of Constitutional Democracy". While earlier economists such as Knute Wicksell (1896) and Duncan Black (1948) laid the groundwork, Buchanan and Tullock are widely recognized as the founders who systematized the theory into a coherent framework (Drazen, 2000).

Public Choice Theory is built on a set of ideas that treat politics through the same analytical lens used for markets. At its core, it assumes that politicians, bureaucrats, and voters are motivated by self-interest rather than purely by the public good. This perspective shifts the analysis of government away from idealistic views of benevolent decision-making and toward understanding incentives, trade-offs, and institutional constraints.

One key tenet is that politicians often act strategically to maximize votes and political survival, which may lead them to pursue short-term or populist policies rather than sustainable reforms. Similarly, bureaucrats are seen as rational actors who may seek to expand budgets, protect their agencies, or enhance personal power, which can produce inefficiencies in public administration. Public Choice Theory also emphasizes the role of interest groups and rent-seeking, highlighting how organized groups may influence policy to capture benefits for themselves at the expense of the general population (Drazen, 2000).

Another important principle is that collective decision-making is subject to failures such as logrolling, pork-barrel politics, and the free-rider problem, where individual incentives undermine collective outcomes. The theory also stresses the significance of constitutional rules and institutional design, arguing that well-designed constraints, transparency mechanisms, and checks and balances are necessary to align individual incentives with the broader public interest (Buchanan & Tullock, 1962; Mueller, 2003).

Together, these tenets explain why governments may fall short of delivering efficient or equitable policies and why reforms in governance, transparency, and institutional accountability are vital for improving public sector outcomes. Thus, the theory posits that politicians and bureaucrats respond to incentives; credible fiscal rules with enforcement constrain deficit biases by raising the political cost of indiscipline.

Public Choice Theory is highly relevant to a study on Budgeting and Fiscal Responsibility in Nigeria's Public Sector because it helps us understand the political behaviors and incentives that shape how fiscal rules, such as the Fiscal Responsibility Act (2007), are implemented. At its core, Public Choice Theory applies economic reasoning to politics, suggesting that politicians, bureaucrats, and interest groups act in their self-interest rather than always prioritizing the public good.

In the Nigerian context, the Fiscal Responsibility Act was designed to reduce wasteful spending, curb persistent budget deficits, and promote transparency in public finances. However, Public Choice Theory reminds us that rules on paper may not automatically guarantee fiscal discipline. Politicians may still be tempted to run deficits to please voters during elections, while bureaucrats may seek loopholes to expand budgets that increase their power and influence. Interest groups can also pressure government officials to channel resources toward their preferred projects, even if this undermines long-term fiscal sustainability.

Using this theory in this study explains why budgeting processes in Nigeria sometimes fail to meet the goals of fiscal responsibility despite the existence of legal frameworks. It sheds light on problems like rent-seeking, patronage spending, and weak enforcement of fiscal rules. More importantly, it highlights the need for stronger institutions, transparent monitoring, and citizen engagement to counteract these self-serving behaviors. In essence, Public Choice Theory provides the lens to evaluate not just the law itself, but the real-world incentives and behaviors that determine whether the Fiscal Responsibility Act (2007) truly works in practice.

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LITERATURE REVIEW

Budgeting and fiscal responsibility are central to the quality of public governance and the sustainability of public finances. In Nigeria, recurrent fiscal crises, high debt burdens, chronic revenue volatility (especially from oil), and weaknesses in budget implementation have motivated reforms designed to strengthen fiscal discipline and transparency. The Fiscal Responsibility Act (FRA) of 2007 was a prominent legal reform intended to impose rules on fiscal targets, debt management, and transparent reporting at the federal level and to provide incentives for better fiscal governance across subnational governments.

Fiscal responsibility legislation (FRL) refers to statutory frameworks that embed fiscal policy rules, processes, or arrangements into law to enhance discipline, transparency, and accountability in government finances. FRLs are designed to commit governments to specific fiscal objectives, reduce discretion, and strengthen credibility, effectively tying the hands of policymakers and deterring repeated deficits made for short-term political gain (Fiscal Responsibility Commission, 2023). This legal commitment helps counter the classic time-inconsistency problem in fiscal policy, in which governments might renege on prudent policies once markets or voters are reassured afresh.

Fiscal Responsibility Commission (2023) defined FRLs on the theoretical grounds of credibility, commitment, and avoiding time inconsistency. When rules are clear and reporting is transparent, they reduce the ability to run persistent deficits in response to political expediency, thereby improving long-run macro-fiscal outcomes. This is the essence of the "tying hands" argument. Okpala et al. (2018) study on FRLs globally shows heterogeneous outcomes that hinge critically on choices of:

- Design: whether the law specifies rules (e.g., numerical targets) or more general principles;
- Enforcement mechanisms: the presence of sanctions, independent fiscal councils, or audit agencies;
- Institutional complementarity: strong treasury systems, well-resourced audit agencies, and robust public financial management;
- Political economy conditions: including governance quality and political incentives.

In Nigeria, studies have assessed the Fiscal Responsibility Act (FRA) not as a standalone panacea, but as part of a broader ecosystem of reforms in fiscal management. For example: Okpala et al. (2018) found strong positive associations between FRA provisions, such as macroeconomic frameworks, debt analysis, and medium-term projections and improvements in public sector financial management. Ben-Caleb et al. (2014) found no statistically significant improvement in budget or fiscal discipline after adoption of the FRA and MTEF, calling for stronger political will and enforcement mechanisms. Fiscal Responsibility Commission (2023) pointed out that Nigeria’s FRA has not fully controlled public expenditure, with fiscal indicators remaining weak due to institutional and policy constraints. These findings underline that effectiveness depends not just on the law’s existence, but on how it operates within a broader institutional and political framework.

Budgeting

Budgeting is a foundational instrument of public financial management because it translates policy priorities, development objectives, and administrative commitments into measurable resource allocations over a defined period (Dike & Eke, 2025b). In classical terms, a budget is a plan for the accomplishment of programs related to objectives and goals within a definite period, including an estimate of resources required, together with an estimate of resources available (Akpanowo & Mbobo, 2025). In government practice, budgeting therefore goes beyond mere annual estimates of income and expenditure; it is a structured mechanism for coordinating priorities, allocating scarce resources, establishing accountability, and monitoring performance. In the Nigerian context, budgeting is particularly significant because it serves as the operational link between development planning and public sector implementation, even though institutional weaknesses, implementation delays, and transparency deficits have often limited its effectiveness (Omolehinwa & Naiyeju, 2021; Ojo, 2012). Empirical studies further show that weak budget execution in Nigeria has often translated into poor economic performance, suggesting that the quality of budgeting lies not only in formulation but also in implementation and control (Omoniyi, 2022).

Fiscal Responsibility

Fiscal responsibility refers to the prudent, transparent, and sustainable management of public finances by government. It encompasses policies and institutional arrangements designed to prevent reckless spending, reduce fiscal indiscipline, ensure efficient use of public resources, and maintain macroeconomic stability over time. At its core, fiscal responsibility requires governments to align expenditure commitments with revenue realities, avoid unsustainable borrowing, and subject public finance decisions to rules, reporting standards, and accountability mechanisms. In this sense, fiscal responsibility is not merely a technical budgeting principle but an institutional commitment to long-term economic stability, intergenerational equity, and responsible governance. In Nigeria, the notion of fiscal responsibility has become especially important because of recurrent deficits, debt accumulation, oil-revenue volatility, and weak implementation of budgetary controls (Anfofum et al., 2015; Akpanowo & Mbobo, 2025).

Origins and Key Provisions of the Federal FRA (2007)

The Fiscal Responsibility Act (FRA) of 2007 was Nigeria's first comprehensive statutory attempt to institutionalize fiscal prudence, discipline, and transparency in public financial management. The Act was enacted to ensure that government spending and borrowing remained within sustainable limits, while also improving the openness and accountability of fiscal operations (Olomola, 2012). In practical terms, the FRA sought to correct long-standing weaknesses in Nigeria's budgeting system, including poor fiscal planning, budget indiscipline, weak oversight, and inadequate disclosure of fiscal information.

The Act introduced several key provisions. First, it established a ceiling on fiscal deficits by stipulating that aggregate expenditure and borrowing should be guided by macroeconomic sustainability benchmarks, including the rule that public debt and deficits should remain within prudent limits relative to national output, except under special conditions such as emergencies or major security threats (Ezeabasili et al., 2012). Second, it mandated the preparation of a Medium-Term Fiscal Framework, operationalized through the Medium-Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP), thereby compelling the federal government to plan on a rolling three-year basis using realistic macroeconomic assumptions and revenue forecasts (Adejoh & Sule, 2013). Third, it required the publication of fiscal strategy documents, implementation reports, and audited accounts, with the intention of strengthening transparency and enabling parliamentary and public scrutiny (Okegbe, 2019; Okpala et al., 2018). Fourth, the Act created reporting obligations for the executive and established the Fiscal Responsibility Commission (FRC) to monitor and promote compliance.

These provisions reflect a hybrid design that combines rule-based controls with managerial and transparency obligations. However, literature on fiscal rules consistently suggests that such laws succeed only when backed by effective monitoring, political commitment, and credible sanctions for non-compliance (Thornton, 2009; Wyplosz, 2012). In Nigeria's case, this concern is especially important because federal fiscal rules operate within a politically fragmented and administratively uneven federal system. Early assessments of the FRA were therefore cautiously optimistic: scholars praised its structure and intent but warned that weak enforcement and poor intergovernmental coordination could limit its effectiveness (Afolabi & Ehigiamusoe, 2015).

Subsequent empirical studies have largely confirmed this mixed picture. Okpala et al. (2018) found that core FRA/MTEF components, including the macroeconomic framework, budget performance review, revenue projections, and fiscal strategy paper, were positively associated with public sector financial management practice in Nigeria. Likewise, Okegbe (2019) reported that the FRA improved budgeting and accountability practices, especially in relation to fiscal disclosure and transparency. More recent evidence by Akpanowo and Mbobo (2025) similarly indicated that the FRA has had significant effects on budgeting, fiscal discipline, and corruption control in the Nigerian public sector. Yet these process-level gains have not always translated into deeper macroeconomic stabilization, especially in the face of revenue shocks and recurrent political pressures.

Research assessing the outcomes of the FRA at the federal level presents a nuanced picture. On one hand, quantitative and institutional studies suggest that the Act contributed to improvements in the procedural quality of budgeting. These gains include stronger budget classification, greater emphasis on medium-term fiscal planning, improved reporting routines, and an increased formal commitment to fiscal transparency (Okpala et al., 2018; Ben-Caleb et al., 2014). Okegbe (2019) also concluded that the FRA positively influenced budgeting and accountability practices, supporting the argument that the Act has had beneficial institutional effects on Nigeria's public finance architecture.

On the other hand, evidence on macroeconomic outcomes is less conclusive. Econometric studies indicate that although fiscal rules may have introduced a more disciplined framework, their effect on core outcomes such as sustained deficit reduction, debt containment, and economic growth has been weak or statistically insignificant (Ezeabasili et al., 2012). Anfofum et al. (2015) further showed that fiscal imbalances remain strongly associated with inflationary pressures in Nigeria, implying that formal fiscal rules alone have not fully insulated the economy from instability. This point is reinforced by more recent literature, which argues that while the FRA improved procedural aspects of fiscal governance, its impact on real-sector and macroeconomic performance has been constrained by oil-revenue volatility, policy reversals, and implementation weaknesses (Omoniyi, 2022; Akpanowo & Mbobo, 2025).

International assessments support this interpretation. The IMF (2024) noted that Nigeria's recent fiscal adjustment has been driven more by fuel subsidy reform, exchange-rate policy changes, and broader consolidation efforts than by the FRA alone. Similarly, the World Bank's public finance assessments emphasize that fiscal rules are necessary but insufficient; they must be complemented by stronger debt management, non-oil revenue mobilization, and expenditure rationalization. Taken together, these studies suggest that the FRA has improved fiscal governance processes but has limited standalone explanatory power for broader macroeconomic performance.

SUBNATIONAL COMPLIANCE AND THE FEDERAL STRUCTURE

A major limitation of the FRA lies in the challenge of subnational adoption and compliance. Because the Act is federal legislation, its direct enforceability over Nigeria's states is constrained by the country's federal arrangement. States retain substantial autonomy over budgeting, borrowing, and expenditure decisions, which limit the overall reach of federal fiscal rules (Okegbe, 2019). In practice, this has produced wide variation in compliance, transparency, and reporting quality across states.

The literature shows that many states face persistent political and fiscal pressures that hinder compliance with medium-term budgeting and fiscal reporting requirements. These include high recurrent expenditure burdens, dependence on statutory transfers, limited internally generated revenue, and weak technical capacity to implement MTEFs and consolidated reporting frameworks (Buba, 2018; Onyekpere, 2016). Empirical studies reveal marked heterogeneity across the states: while some have made progress in budget disclosure, debt transparency, and fiscal reporting, others remain opaque and fiscally weak (Enahoro & Jayeola, 2020; World Bank, 2022).

This unevenness is consistent with the broader Nigerian experience of budget implementation challenges. Nafisatu et al. (2019) identified delayed budget passage, weak oversight, corruption, and unrealistic projections as recurring constraints on budget implementation, while Shimawua (2020) shows that delays in budget approval have significant implications for national development. These dynamics are not limited to the federal level; they are reproduced across the subnational system, making nationwide fiscal discipline difficult to achieve. Scholars therefore argue that effective fiscal responsibility in Nigeria requires not just federal legislation, but aligned incentives, transfer conditionality, stronger state-level institutions, and more credible intergovernmental coordination.

Complementary Reforms

The literature is clear that fiscal responsibility laws are most effective when supported by broader public financial management reforms. Rules alone rarely guarantee discipline; they must be embedded within institutional systems capable of producing reliable data, preventing leakages, and supporting enforcement (Premchand, 2007; Alesina & Passalacqua, 2016). In Nigeria, several such complementary reforms have been introduced alongside the FRA, including the Medium-Term Expenditure Framework (MTEF), Government Integrated Financial Management Information System (GIFMIS), Treasury Single Account (TSA), Integrated Payroll and Personnel Information System (IPPIS), and the migration toward International Public Sector Accounting Standards (IPSAS) (Okeke & Eme, 2015; Oladejo & Olowolaju, 2021).

Empirical evidence suggests that these reforms have strengthened financial discipline in specific areas. The TSA improved cash management and reduced leakages from fragmented government accounts, while IPPIS helped curb payroll fraud and ghost-worker practices (Yusuf & Chiejina, 2020). Similarly, audit and anti-graft institutions have reinforced the enforcement environment for fiscal rules (Akpanowo & Mbobo, 2025). Nevertheless, implementation problems remain substantial. These include weak data quality, incomplete systems coverage, resistance from vested interests, and fragmentation across ministries, departments, and agencies (World Bank, 2020; IMF, 2021). The implication is that the FRA's effectiveness depends heavily on the strength of these complementary systems.

BUDGET IMPLEMENTATION, TRANSPARENCY, AND TIMING PROBLEMS IN NIGERIA

A substantial body of empirical literature shows that process-related weaknesses continue to undermine the implementation of the FRA. These include persistent delays in budget passage, unrealistic revenue projections, weak expenditure controls, and frequent recourse to supplementary budgets (Ojo, 2012). Such weaknesses reduce the credibility of the budget and weaken the FRA's ability to function as a binding fiscal discipline mechanism.

One of the most frequently cited problems is unrealistic forecasting, especially in relation to oil revenues. Budgets have often been built on optimistic assumptions about oil prices, output, or exchange rates; when these assumptions fail, governments resort to unplanned borrowing, expenditure adjustments, or implementation delays, thereby deviating from FRA targets (IMF, 2018; Ejiogu et al., 2018). This concern is echoed in the Nigerian empirical literature. Nafisatu et al. (2019) identified unrealistic revenue projections as a key obstacle to effective implementation, while Shimawua (2020) emphasized how institutional delays in budget passage further weaken planning and execution.

Recent case-based evidence adds further weight to this argument. Nwawube et al. (2025), examining the Federal Ministry of Education, show that non-compliance with FRA reporting provisions, especially irregular publication of budget implementation reports, weakens fiscal accountability and creates room for diversion of public funds. This finding is particularly important because it moves the debate from abstract fiscal rules to concrete implementation behavior within MDAs. Similarly, Omoniyi (2022) argued that weak budget execution has direct consequences for Nigeria's economic performance, highlighting the gap between fiscal planning and developmental outcomes.

Taken together, these studies indicate that the FRA has improved the language and formal structure of fiscal discipline in Nigeria, but process failures in forecasting, approval timing, execution, and transparency continue to limit its effectiveness in practice.

Evidence on Fiscal Discipline and Debt Management

A strand of the literature has focused on the debt and deficit outcomes of Nigeria under the Fiscal Responsibility Act (FRA). Evidence suggests that, while the FRA established formal thresholds and guidelines for public debt sustainability, Nigeria has struggled to adhere consistently to these limits, especially during periods of commodity-price volatility or policy reversals (Onyeiwu, 2012; IMF, 2018). Oil price collapses, in particular, have frequently widened fiscal deficits, forced additional borrowing, and exposed the limitations of the FRA in insulating public finances from external shocks (Ugochukwu & Phillips, 2020).

The post-2023/2024 period has, however, witnessed significant policy shifts that appear to have strengthened fiscal performance. Key measures include the removal of fuel subsidies, exchange rate unification, and renewed efforts at domestic revenue mobilization. Reports from the World Bank (2023) and IMF (2024) noted that these reforms have contributed to deficit reduction, higher non-oil revenues, and gradual improvement in debt servicing capacity. These outcomes suggest that macroeconomic stabilization requires a combination of fiscal rules and credible reform packages rather than reliance on statutory rules alone.

Importantly, studies frame the FRA as a necessary but not sufficient instrument. While it provides a legal anchor for fiscal prudence, the FRA by itself cannot restrain debt dynamics when governments face large contingent liabilities, structural revenue weaknesses, or periodic fiscal risks tied to oil dependence (Ekeocha & Igbodika, 2016; Okonjo-Iweala, 2021). Instead, the Act must be reinforced by structural reforms, including diversification of revenue sources, better debt management strategies, and transparent fiscal operations. In this sense, the FRA is most effective when seen as part of a broader toolkit of institutional and macroeconomic reforms rather than as a stand-alone safeguard.

Corruption, Political Economy and Compliance

A recurrent theme in the literature explaining the limited effectiveness of Nigeria's Fiscal Responsibility Act (FRA) is the political economy environment within which it operates. Scholars argue that fiscal rules are only as strong as the institutions that enforce them, and in Nigeria, weak enforcement capacity, patronage-based political appointments, and incentives for off-budget spending have created loopholes that undermine compliance (Ogujiuba & Ehigiamusoe, 2014; IMF, 2018).

Studies on corruption and governance linkages consistently find that countries with stronger anti-corruption agencies, transparent procurement processes, and robust public financial management (PFM) systems are better able to enforce fiscal responsibility measures. In Nigeria, reforms such as the Treasury Single Account (TSA), the Integrated Payroll and Personnel Information System (IPPIS), and the Government Integrated Financial Management Information System (GIFMIS) have demonstrated positive impacts on expenditure control and revenue leakages at specific agencies (Adewumi & Olabisi, 2020; Okafor & Eiya, 2011). Yet, systemic corruption, fragmented payroll systems, and procurement inefficiencies continue to erode the intended benefits of the FRA (Transparency International, 2022; World Bank, 2023).

Furthermore, literature underscores that legal reforms must be accompanied by credible sanctioning mechanisms to ensure sustained compliance. This requires not only statutory provisions but also political will, an independent judiciary, and empowered audit institutions capable of holding officials accountable (Olowu, 2019; Omoleke & Aluko, 2021). However, these governance structures are unevenly distributed across Nigeria's federating units. States with stronger audit offices, more transparent budget processes, and proactive anti-graft bodies tend to record better compliance outcomes, whereas states with weaker institutions remain vulnerable to fiscal indiscipline (World Bank, 2020).

In this regard, the FRA's limitations highlight a broader governance dilemma: without parallel reforms that strengthen institutional independence and reduce political capture, fiscal rules risk remaining "paper tigers", symbolically important but practically weak in restraining fiscal indiscipline.

RECENT EMPIRICAL WORK (2020-2025): WHAT HAS CHANGED?

Between 2020 and 2025, scholarship on Nigeria's fiscal institutions has expanded significantly, reflecting the pressures of the COVID-19 pandemic, volatility in global oil markets, and the landmark policy reforms introduced in 2023–2024. This period has been particularly important for evaluating how well the Fiscal Responsibility Act (FRA) interacts with wider macroeconomic and institutional dynamics.

Empirical studies published between 2023 and 2025 highlight that while fiscal rules have delivered some administrative improvements, such as better budget reporting standards, enhanced oversight in certain ministries, and more structured fiscal disclosures, the broader macroeconomic outcomes remain highly dependent on external and domestic shocks (Adewuyi & Adeyemi, 2023; IMF, 2024). For example, subsidy removal on petroleum products, exchange-rate unification, and reforms in revenue administration have been identified as critical policy levers that strongly condition the effectiveness of the FRA (World Bank, 2024; African Development Bank, 2024).

Importantly, sectoral and state-level evidence has become more visible in the literature. Studies conducted in 2024-2025 show significant positive associations between the adoption of digital public financial management reforms, such as the Government Integrated Financial Management Information System (GIFMIS) and the Integrated Payroll and Personnel Information System (IPPIS) and improved financial reporting and payroll integrity (Olawale & Ibrahim, 2024; Yusuf & Omotola, 2025). These findings suggest that while the FRA sets the framework, technological tools and compliance monitoring are essential for achieving tangible results.

At the macro level, multilateral assessments during this period (e.g., IMF, 2024; World Bank, 2024) noted that Nigeria has embarked on a gradual process of fiscal consolidation following the 2023–2024 reforms. However, they stress that risks remain, particularly inflationary pressures, political resistance to subsidy removal, and weak institutional enforcement. The consensus across the emerging literature is therefore that Nigeria has recorded incremental but fragile gains. For the FRA to achieve long-term success, it must be embedded within a sustained, multi-pronged reform strategy that addresses political and economic constraints, strengthens institutions, and maintains macroeconomic stability.

CONCLUSIONS AND RECOMMENDATIONS

This study has examined budgeting and fiscal responsibility in Nigeria's public sector with a particular focus on the Fiscal Responsibility Act (FRA) of 2007. The analysis shows that while the FRA was introduced as a landmark reform to promote transparency, accountability, and sustainability in Nigeria's fiscal operations, its implementation has faced significant challenges. On paper, the Act lays out sound principles such as balanced budgeting, limits on borrowing, medium-term expenditure frameworks, and public disclosure of financial information. However, in practice, political, institutional, and economic realities often hinder its full effectiveness.

One of the central findings is that budgeting in Nigeria is still influenced heavily by political considerations rather than strict adherence to fiscal rules. Public Choice Theory helps to explain this dynamic, as political actors sometimes prioritize short-term gains such as electoral promises, patronage spending, and populist programs over long-term fiscal sustainability. This weakens the binding power of the FRA, as rules are either circumvented or poorly enforced.

The study also highlights issues of weak institutional capacity. Agencies tasked with enforcing fiscal responsibility, such as the Fiscal Responsibility Commission (FRC), are often underfunded, understaffed, and lack the autonomy to hold powerful political actors accountable. Similarly, transparency mechanisms, like public budget disclosures and citizens' access to fiscal information, remain limited and inconsistent. As a result, Nigeria continues to struggle with persistent budget deficits, rising debt levels, and inefficiencies in public spending.

Nonetheless, the FRA has not been entirely ineffective. It has raised awareness about the importance of fiscal discipline and has created a legal framework that, if properly implemented, could improve Nigeria's budgeting culture. For example, the introduction of the Medium-Term Expenditure Framework (MTEF) has encouraged a shift away from purely short-term budgeting, even though the process still faces technical and political bottlenecks. The Act has also served as a reference point for civil society and international partners in demanding accountability.

The study finds that the effectiveness of the Fiscal Responsibility Act (2007) depends less on the written rules and more on the political will, institutional strength, and civic engagement that support its enforcement. Without stronger institutions and a culture of accountability, fiscal responsibility laws risk becoming symbolic rather than transformative. The Nigerian case underscores that achieving sustainable fiscal management is not simply about legislation, but about aligning political incentives, strengthening oversight, and ensuring that fiscal discipline becomes embedded in governance practices. Based on the findings of this study, the following recommendations are proposed to enhance budgeting and fiscal responsibility in Nigeria's public sector:

- The FRC should be given greater independence, adequate funding, and enforcement powers. This would allow it to monitor compliance more effectively and sanction violations of fiscal rules without political interference. A strong commission will deter fiscal indiscipline and reduce loopholes in implementation.
- Fiscal responsibility must be championed at the highest levels of government. The President, National Assembly, and state governors should publicly commit to upholding the FRA and lead by example. Where violations occur, political leaders should be held accountable to demonstrate that no one is above the law.
- Budget processes should be more open and inclusive. Citizens, civil society organizations, and the media must have timely access to budget data, debt reports, and fiscal performance updates. Platforms such as public hearings, online portals, and open data dashboards can encourage greater scrutiny and strengthen public trust.
- The use of the Medium-Term Expenditure Framework (MTEF) should be strictly enforced at both federal and state levels. This will help link annual budgets to long-term development plans, reduce arbitrary spending, and provide a realistic framework for debt management.
- Political pressures often drive unproductive expenditures. Stronger checks and balances, such as performance-based budgeting, independent audits, and legislative oversight are needed to ensure that public resources are allocated based on priorities and impact rather than political favoritism.
- Digital platforms should be used to track government revenues, expenditures, and debt in real time. This will reduce opportunities for manipulation and improve the speed and accuracy of fiscal reporting.
- Given Nigeria's rising debt burden, borrowing should be tied strictly to productive investments with clear cost-benefit analyses. The FRA's borrowing provisions should be updated to reflect current realities and ensure that debts are sustainable and linked to capital projects.
- Public servants involved in budgeting and fiscal management should receive regular training in modern budgeting techniques, fiscal risk management, and accountability practices. This will reduce technical inefficiencies and foster a culture of responsibility.

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