

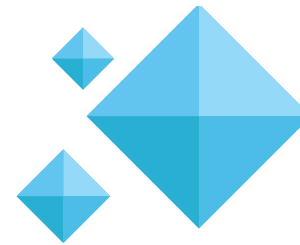


**Centre for Economic Policy  
and Development Research**



# **POLICY BRIEF**

2021/03, August 2021



## National Budgeting, Security Issues and Sustainable Development in Nigeria

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### Executive Summary

The national budget has become a vital tool for resource allocation to the defence (or often referred to as security) sector due to growing insecurity in Nigeria. When appropriately applied, the national budget aids economic growth and sustainable development in the country. Even though several factors such as weak policy and institutional framework, inadequate political commitment, economic and social deprivations and the militancy of religious and ethnic extremism and conflict have contributed to the lingering insecurity, inadequate funding seems to be the most important one. Prevailing and increasing insecurity in Nigeria appears to indicate weakness and inadequacy of her budgeting process or implementation. The looming danger associated with the spate of recent insecurity threatens sustainable development and calls for an assessment to identify and propose sustainable solutions. Therefore, this policy brief examines the connection between national budgeting and security issues in achieving sustainable development in Nigeria. Specifically, in the face of budgetary constraints and other competing socio-economic factors or indices – in the post COVID-19 era – a key question is “what should be the optimal allocation of resources to the defence sector?”. Among others, this policy document recommends that Nigeria's national budget on defence should be emphatic on human capital development as a key area of investment. Also, emphasis should be placed on innovative ways to effectively combat insecurity (like espionage) rather than focusing on the purchase of military equipment that places further constraints on the budget and address the cleavages facing Nigerian society.

### Background

Insecurity is a pertinent and urgent problem in most African countries including Nigeria, with severe implications for sustainable economic development and, thus, requires policy interventions. Nigeria, for instance, has experienced an unprecedented wave of insecurity over the past two decades with adverse effects on the social, economic, political, religious, and cultural aspects of the nation and its populace. This has given rise to gaps in the level of trust and confidence, not only between the government and the people but among citizens (Okoli & Agada, 2014; Ani & Uwizeyimama, 2020). The insecurity situation in Nigeria has been heightened by increasing levels of armed robbery, piracy, kidnapping, militancy, arms proliferation, political crises, tribal crises, herdsmen-farmers' crises, and ethno-religious conflicts across different parts of the country. Social dislocation, fear and anxiety make the discourse of national budgeting, security and sustainable development in Nigeria, a major topic to be considered. More so, most communities and businesses in Nigeria have experienced prevalent crime and insecurity amidst the challenges of the COVID-19 pandemic.

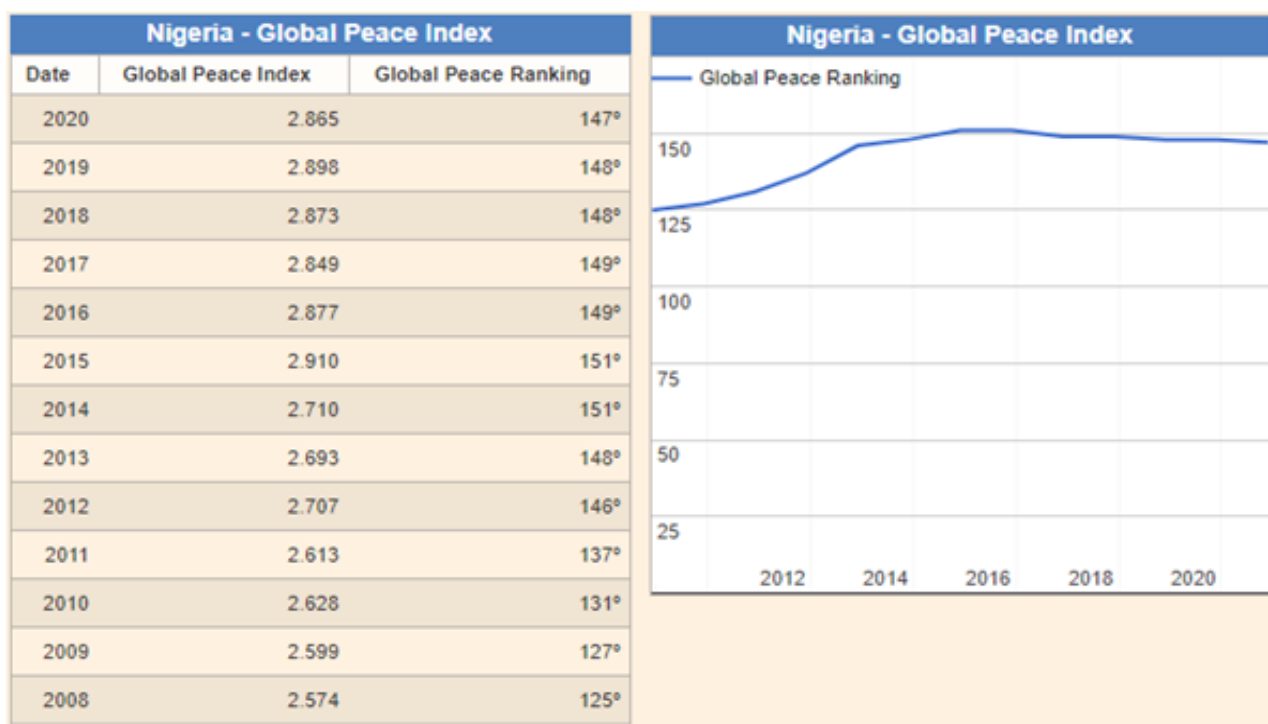


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In a bid to curtail the insecurity challenge, a significant part of the national budget has been committed to supporting diverse government strategies and public-private partnership initiatives. Statistics show that in 2021 the Federal Government appropriated N1.967Trillion for the Defence and Security sector (Ministry of Finance, 2021b) compared to 2018 allocation of N1.323tn. This is also a significant increase from the N1.142tn, N1.063tn, N969bn and N932bn approved for 2017, 2016, 2015 and 2014 respectively (BudgIT, 2018). Nevertheless, the level of insecurity in the country remains high with major negative impacts on the development path of the Nigerian economy and people. For example, national unrests arising from the incessant clashes between farmers and herdsmen have resulted in many communities losing their homes, properties and loved ones. The situation has compelled the government to make further provision for the welfare needs of such internally displaced persons. In terms of international reputation, the 2020 Global Peace Index shows that Nigeria scored 2.865 and ranked 147 out of 150 countries (see table and figure below) (Countryeconomy.com, 2021).

Even though several factors (including weak policy and institutional framework, economic and social deprivations, inadequate political commitment and growing religious and ethnic extremism and conflict) have contributed to the lingering insecurity in the country, the key challenge, however, remains ineffective defence appropriation. Prevailing and increasing insecurity in Nigeria appears to indicate weakness and inadequacy of her budgeting process – which could threaten the country's sustainable future. Moreover, its implications call for an assessment of the budget trend for security, thereby identifying issues and possible solutions. The policy brief intends to do this and thereby, contribute to the discourse national budgeting in African countries.



countryeconomy.com (2021). Nigeria – Global Peace Index



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## Policy Issues

### Government Budgetary Interventions towards National Security

National security poses a critical concern for the government, especially in terms of government revenue and national debt. In terms of revenue, the government borrows to augment the funding gap for social services (including security), which has implications for debt servicing (Ministry of Finance, 2021a). Insecurity affects the allocation of financial resources as funds are spent to fight insecurity instead of human capital development. The public budget is important to run the economy, because it communicates the priority of the government and makes the economy conducive for businesses to thrive. The budget is operated annually but it is critical that it projects what the country values as reflected in the Medium Term Expenditure Framework.

While debt financing of budget is a common feature in the budgeting process due to insufficient resources, it is important for the government to create a more transparent and sensitive awareness of Nigeria budgeting context. Budget affairs regarding security should be taken beyond the traditional annual broadcast to a more frequent and systematic circulation for accountability and effectiveness. This can project a responsive empathy through stakeholder commitment to support both the budgeting and implementation processes. It will also enable the government (umpire stakeholder) to identify and explore other avenues for internal revenue generation, and thereby reduce budget deficit in the long run.

The key priority of the administration of President Muhammadu Buhari is defence and national security because both are key functions of the state on which sustainable development is built. The increase in budgetary allocations to the defence/security sector in the past five years underscores the fact that national security - security of life and property - is important in addition to health, education and environmental sustainability.

Sustainable security is attainable through effective mechanism to deal with threats when they occur. The provision of security requires a continuous resilient preparedness to respond to insecurity across locations in the Nigerian economy. This covers both online and physical security platforms. The level of development in an economy is influenced by the level of security - hence security, economic activities, growth and development are strongly linked. So far, Nigeria has experienced low growth leading to unemployment and poverty – with the government seeking to lift at least 20 million Nigerians out of extreme poverty in the next two years (Central Bank of Nigeria, 2021a). In fact, the employment level has remained consistently below the 50.0-index point threshold for the last two years and reaching 46.5 in July, 2021 (Central Bank of Nigeria, 2021b) These challenges can be addressed if there is a stronger drive to increase government revenue thereby, improving the provision of various public goods and services.

Towards addressing these challenges, further demand is placed on the government to focus on process evaluation to ascertain the effects of budgetary allocation on specific sectors, as well as, the resultant effects on the economy. Such an evaluation could include critical questions like: (i) What level of safety has been achieved within a specific period of time? (ii) What is the level of ease of doing business within the Nigerian economy? and (iii) What are the

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resource gaps requiring additional appropriation to ensure the needed security protection of life and property? Answers to these questions provide the needed feedback regarding the budgeting and implementation of security services. Furthermore, it could serve as a reliable report for creating awareness about the budgeting processes aimed at addressing broad national issues like insecurity. Effective evaluation, therefore, could be extended beyond tracing errors in the budgetary allocation mechanism and security service provisions to highlighting key areas for future consideration. This is particularly so due to the dynamic nature of security challenges that require continuous changes in addressing them.

Nigeria has been battling with ethno-religious conflicts at all levels. The conflict between pastoralists and farmers is high, including other concerns such as kidnapping and banditry (Chiluwa & Chiluwa, 2020). This has hindered infrastructural development as construction staff are scared off work sites and unable to implement projects. For example, one of the abandoned road projects is the Apunali Ntighauzor Amaeri Road, Obingwa LGA was awarded in February 2015 at the cost of N244,394,000. The project only reached 50 percent completion before the contractor abandoned it (Vanguard, 2020). Many road construction sites require armed security coverage all through the execution of road projects in Nigeria. Similarly, the oil and gas companies budget additional resources for securing their workers (both onshore and offshore), while the Federal Government budgeted N57.8Billion for pipeline security in 2020 (Ministry of Finance, 2021a). Consequently, the provision of security coverage has constrained the industry's productivity and increased their operational cost. It has also shot up the cost of government's provision and maintenance of many essential services or infrastructure - like roads and bridges. Furthermore, such insecurity issues have also affected investor-confidence and government's drive to attract foreign direct investment in the country because targets have remained unmet (Ministry of Finance, 2021a).

Nominally, the defence and security sector receives more budgetary allocation than agriculture, education and health, but the comparison cannot be linear due to the peculiarities of each sector. So, the above discourse clearly explains the nature of insecurity and its adverse effects. Arguably, it implicitly demonstrates the ineffectiveness and inadequacy of government's budgetary interventions within the defence/security sector, and their consequences.

## Policy Recommendations

Nigeria potentially faces a revenue mobilization challenge in the post COVID-19 era as demand for oil is expected to decline. Notably, the funds available to government are not enough to cover personnel and debt service. The ratio of debt service to budgeting is almost 50% - making it difficult for sectoral budgetary allocation to adequately meet overhead costs. A regular forum of critical stakeholders is necessary, perhaps, to proffer new solutions.

Based on the findings, a number of recommendations can be made. First, the responsibility for improved security lies with the government, farmers and indeed, all citizens. Second, an urgent paradigm shift is that security is moving rapidly from human, physical and legal to cyber-security. It also affects non-state actors like international organizations, which has reinforced globalization.. Third, conflicts are more intra-state rather than inter-state. The

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Federal and State governments of Nigeria, review their budgeting priorities to allocate sufficient resources to manage conflicts, thereby promoting peace and security which are needed for sustainable development. In this regard, an emerging reality driving a paradigm shift in national budgeting is declining crude oil revenue.

Other recommendations include the following:

- Emphasis should be placed on innovative ways to effectively combat insecurity rather than focusing on purchase of military equipment which places further strains on the budget
- Human capital development and security should be connected because people-centric national security can reduce insecurity.
- The federal government of Nigeria should adopt a dynamic approach to security budgeting. A heavy budget may not be a sufficient condition for effectively addressing the problem of insecurity. Inclusive growth and development with significant reductions in unemployment and poverty are also key factors for improved security in the country.
- For Nigeria to have stability and development, the government should strive to limit the threats to national security by concentrating its efforts to increase human security by applying the norms of good governance such as accountability, transparency, human rights, rule of law, and effective social services to reduce inequality.

## Conclusion

Though there are several political, economic, social and religious factors that can contribute to security, one of the ways for doing so involves an improvement in the budget process with huge funds allocated to the security. This policy brief has reinforced an apparent fact, in historical and current budget appropriations, that Nigeria's budgeting process has not delivered the needed security services and it has to change. This might sound unrealistic but given the increased allocation of resources to the defence sector in 2021, it is likely the insecurity situation in the country may improve. This does not mean that the strategy should not be combined with policies and programmes to deal with the political, economic, social and religious challenges for sustainable security and peace. A better process for fiscal appropriation and implementation is needed to address current and emerging security challenges and it remains key to sustainable economic development in the post COVID-19 era. Without adequately addressing insecurity, economic, social, religious and ethnic challenges, consistent recovery and strong growth will be undermined in Nigeria. More emphatically, the government should show more commitment to security through adequate funding and the resolve to deal with cleavages. For this to be realized, the government must adopt stakeholders' engagements to not only dissect security challenges and the underfinanced aspects of the defence budget but also tackle headlong cleavages which have created conflict, tension and insecurity. This will entail the implementation of proactive human capital development and local community engagement, as well as, demystify the appropriateness of budgetary financing of Nigeria's defence sector and address political, economic, social and religious and ethnic cleavages.

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