THE EFFECTS OF BUDGETARY ALLOCATIONS ON HEALTH SECTOR REFORM AGENDA: EVIDENCE FROM NIGERIAN PUBLIC SECTOR

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Abstract
This study examined the effects of budgetary allocations on public sector reform agenda in Nigeria. In particular, allocations to the health sector were examined in order to determine whether they have positive impact on the life expectancy of the citizenry. The relevant literature to the study was reviewed to identify and fill the existing gap. The data were presented and analyzed using trend analysis to show the increases and decreases in data trend as well as interactions between variables. The findings revealed that the Federal Government budgetary allocations to the health sector have a positive but insignificant impact on life expectancy. Conclusion was drawn and it was recommended based on the findings of the study among others that the Federal Government should continue with the implementation of the public sector reform program but should strengthen the audit institutions to be able to carry out the responsibilities which the reform of public sector demands.

Key words: Reforms, budgetary allocations, health sector.

INTRODUCTION
Public sector Reforms in Nigeria was introduced to drive the human resource development process and form an effective resource utilization policy. The aim of government was to set an effective and efficient management system. This was necessitated by the fact that Nigeria is a country endowed with abundant natural resources but despite this abundance has remained underdeveloped and is ranked among the poorest nations of the world (King 2003; Solodo, 2003). Even with the recent rebased GDP which makes Nigeria the 26th largest economy and 121st in terms of GDP per capita, he poverty is still high (Adio, 2014). This poverty level and underdevelopment can only
attributed to mismanagement and corruption, facilitated by weak, inappropriate and malfunctioning public sector

In Nigeria, the vision of becoming one of the leading 20 economies of the world by the year 2020 is closely tied to the development of its human capital through the health sector.

Currently, the health sector is characterized by lack of effective stewardship role of government, fragmented health service delivery, inadequate and inefficient financing, weak health infrastructure, mal-distribution of health work force and poor coordination amongst key players (National health plan, 2009).

The health sector reforms which is an integrated package of various economic reforms was kick started in 2004.

Under the health sector reform, there was a restructuring of some government agencies and an increased focus on service delivery. The reforms in this area have given rise to a number of bills and Acts which include the public procurement Act of 2007.

The health sector refers to all organizations that exist as part of government machinery for implementing health policy decisions and delivering services that are of value to citizens (Olaopa, 2013).

According to Lawanson and Adeoye (2013), reforms in health sector in Nigeria were conceptualized as the main vehicle for accelerating individual, community and national developments. It was intended to revitalize integrated service delivery towards a quality, equitable and sustainable health care.

Despite the tremendous efforts and resources allocated to reforms, little progress has been made and the country has not come close to her goal of developing and transforming the society to the same standard as developed countries. Effective health services still remain out of the reach for many communities.

Though inflation rate is now down from double digit of between 11% -15% over the years to 7.7%, poverty, unemployment, inequality are still prevalent in the country. Also healthcare delivery and services to the ordinary citizens has not seen appreciable improvement. This may therefore be referred to as evidences that the increases in budgetary allocation have not translated to any appreciable improvement in the economic indices. Something therefore needs to be done so that the objectives of the health reforms can be achieved.

The objectives of the study include:

- To determine the impact of budgetary allocations to the health sector of life expectancy in Nigeria.
- To ascertain the relationship between life expectancy in Nigeria and economic growth.

This study is guided by the following questions:

-What is the impact of budgetary allocations to the health sector life expectancy in Nigeria?
-What is the relationship between life expectancy in Nigeria and economic growth?

**STATEMENT OF RESEARCH HYPOTHESES**

- Budgetary allocations to the health sector do not have a positive and significant impact on life expectancy in Nigeria.
There is no positive relationship between life expectancy in Nigeria and economic growth. This study therefore seeks to establish how increase in budgetary allocation could achieve the economic objective of fiscal transparency, accountability, poverty reduction and economic growth in Nigeria. The research also seeks to evaluate the relationship between total government expenditure and per capita GDP. The study is intended to be useful as a guide to policy makers in implementation of public sector reform. It will also provide useful insight for Accountants in the public sector on the dynamism of accounting profession and the role accounting plays towards achieving the objectives of any economic reform process. The scope of the study is the federal republic of Nigeria. The fiscal Responsibility Act 2007 is an act of the federal Republic Nigeria. Sections 17 and 54 of the act provide that states and local governments that wish to implement provisions contained therein may receive assistance from the federal Government. This implies that the Act is not binding on the states and local governments. The success or otherwise of fiscal and economic policies are gauged or determined by their impact on the economy as expressed by macro-economic and social/development indicators. Therefore, in line with the objectives set out in this study, the macro-economic indices used for this study are, life expectancy, Federal government expenditure, and budgetary allocations to the relevant sector. The period of the study is from 1997 to 2015. This study therefore, will focus on the effect of budgetary allocations to health sector in Nigeria.

REVIEW OF RELATED LITERATURE
Theoretical Framework
Several theories have provided the theoretical underpinnings of public sector reforms and have helped shape its ideas. One of those theories suitable for this study is “fund theory” The system is used by non-profit organizations, particularly governments. Because there is no profit motive, accountability is measured instead of profitability. The main purpose here is stewardship of resources received and expended in compliance with legal requirements. Financial reporting is directed at the public rather than the investors. The accounting equation is Assets = Restrictions on Assets. Funds are established to ensure accountability and expenditure for designated purposes. Revenues must be raised and expended in accordance with special regulations and restrictions. Budgets are adopted and recorded in the accounts of the related fund while contractual obligations are given effect in some funds.

Theoretical/Conceptual Review
The global economic crisis has underscored the importance of accountable and transparent use of public funds. It is the basic right of the public tax payers to have accurate and reliable financial statements that reflect the complete sector entities. Also there is a growing recognition that accountability for management of a nation’s resource is fundamental if democratic institutions are to survive (Bunse and Firtz, 2012). This has resulted in poor service delivery to citizens. In a bid to find solution to the poor economic management situation and other development challenges, the Nigerian government embarked on economic reforms.
In pursuit of this, a number of sectoral reforms were packaged for implementation. Strengthening the budget preparing and execution process was urgently needed in order to improve service delivery to the Nigerian public (Okonjo-Iweala and Osafo-Kwaako, 2007).

**Concept of Government Budget**

The budget documents the direction of government policies and spending priorities for a financial year, including details of expected revenue and expenditure. The law requires the President to present the Federal Government’s budget to the National Assembly for approval. By law, it covers a stated period, called a financial year, which in the Nigerian case, runs from 1 January to 31 December every year. The Budget is therefore the Federal Government’s instruction for delivering essential public goods and services, such as education, healthcare, infrastructure and national defence to its citizens to meet their social and economic needs. To provide these goods and services and generally carry on the business of governance, government needs to plan its financial activities and come up with detailed spending plans (Ikokwu, 2009). As a statement of government’s policy direction and spending priorities, the Federal Budget also affects the (a) general price level of goods and services in the economy (b) interest rates at which individuals and businesses can borrow money (c) exchange rate of Naira against other currencies and (d) the rate at which the economy grows (Obansa, 2013). These are some of the major factors, or ‘macroeconomic variables’, which affect the wellbeing of the economy as a whole and by extension the social and economic wellbeing of the citizenry. According to Okpala (2012), these plans indicate what the Government intends to do to reduce poverty, generate wealth and create jobs. As the preparation of the budget is done against the background of these development plans, it serves as a policy tool for attaining the immediate, medium and long-term development goals of Government.

**Drivers of Public Sector Reform**

Public sector reforms is driven by what Pollitt and Bouckaert (2004) call the symbolic and legitimacy benefits of management reform, which is the fact that leaders want to be seen as doing something. Accounting reforms, criticizing bureaucracy, praising new management techniques, promising improved services for the future etc. all these help to attract favourable attention to the leaders who espouse them as they may gain in reputation from it (Connolly and Hyndman, 2005). Another driver of reform is the need for government to be better positioned in order that they may be better enabled to meet the needs of and aspirations in the society with governments using management reforms to reshape the role of the state and its relationship with citizens (Balussone and Franco, 2001).

According to Vakabua (1996), reforms results from the challenges the public sector faced in the environment in which it operates. The challenges of a public sector entering an information and knowledge age no doubt require adapting to the adoption of information technologies to enable faster information processes.

Reforms also arise as a necessity due to the bureaucratic incapacitation and constraints internal to the public sector which prevents the officials and bureaucrats from carrying out their functions effectively.

Reforms are also driven in the public sector by the outcome of the innovations and best practices operating in the public sector of other countries (Walsh, 1995). In this regard, a
country’s decision to reform is sometimes as a result of noticing the rate of progress made in other countries.

Health Sector Reform
The government of Nigeria was compelled to embark on health sector reform when it became obvious that her health service delivery was characterized by inequitable distribution of resources, decaying infrastructure, poor management of human resources for health, negative attitude of health care provides etc.
Recognizing that recent improvement in the Nigeria’s macroeconomic performance have not translated into discernible improvement in the health system and quality of life of Nigerians, the federal government in its various reforms has underscored human capital development as the bedrock of this agenda with explicit reference to the health sector(Olaopa, 2013). Access to quality healthcare and prevention services is therefore considered vital for poverty reduction and economic growth. A case in hand is the recent outbreak of Ebola disease which was vigorously fought/pursued by the federal government of Nigeria until the country was declared safe and free of the dreaded disease.
The reform of the health sector was therefore intended to revitalize integrated services delivery towards a quality equitable and sustainable healthcare.

RESEARCH METHODOLOGY
This section deals with the research design and the procedure adopted in carrying out this study. This work is aimed at evaluating the effects of budgetary allocations in achieving the objectives of the public sector reforms in Nigeria. It therefore stands to reason that it is interested in finding out if the public sector reform, with its attendant fiscal management reforms has led or can lead to improved wellbeing of the citizenry.
Therefore, the design adopted in this study is the Ex-post facto research design. This design is appropriate because it seeks to determine the extent of the association between the variables and to draw inferences. Such inferences concerning the relationship between the variables involved can then be used for purposes of prediction, in this case, the effects of budgetary allocation on public sector reform agenda.
The area of the study is the geographical area or boundaries where the study is carried out. The study was carried out among the MDA’s of the Federal government of Nigeria. Since the fiscal responsibility act 2007 is not binding on the states and local governments, the researcher concentrated his research program on the federal health agencies within Nigeria.
The data for this research work were sourced from Central Bank of Nigeria and National Bureau of Statistical yearbooks and Journal articles.
The population of the study therefore is the federal republic of Nigeria as the study covers the entire economy of the country.
The sample size of the study is the health sector of the economy. The sample used here was drawn from raw data extracted from the sources listed below and were used in constructing tables for data presentation and analysis as well as testing of the hypotheses in this study:
   i. Central Bank of Nigeria Annual Report and statement of Accounts (covering financial years 1997 - 2015);
ii. The Nigerian Statistical Fact sheets on Economic and Social Development (2015)

iii. Central Bank of Nigeria Statistical Bulletin;


**Analytical Methods/Techniques**

To achieve the objectives of this study, the frameworks and objectives of the public sector reforms and the fiscal strategy designed to achieve them are examined. In particular, the Fiscal Responsibility Act 2007, being a major framework for carrying out the public sector reforms in Nigeria was examined in order to determine the effect of budgetary allocations on the health sector reform agenda so as to enhance transparency, accountability, and economic development in Nigeria.

To this end, the data collected in the course of the study were subjected to analysis and used to test the hypotheses using appropriate statistical tools of analyses. The application of correlation co-efficient statistical formulae was considered suitable.

**Table 1: Life Expectancy against Budgetary Allocation to Health for Selected Years**

<table>
<thead>
<tr>
<th>Years</th>
<th>Life Expectancy</th>
<th>Changes in Life Expectancy (%)</th>
<th>Budgetary Allocation to Health in (NGN Billions)</th>
<th>Change in Budgetary Allocation to Health (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>53</td>
<td>0</td>
<td>7343</td>
<td>0</td>
</tr>
<tr>
<td>1998</td>
<td>54</td>
<td>1.886792</td>
<td>11291.9</td>
<td>53.77775</td>
</tr>
<tr>
<td>1999</td>
<td>54</td>
<td>0</td>
<td>13737.3</td>
<td>21.65623</td>
</tr>
<tr>
<td>2000</td>
<td>54</td>
<td>0</td>
<td>17581.9</td>
<td>27.98658</td>
</tr>
<tr>
<td>2001</td>
<td>54</td>
<td>0</td>
<td>35422</td>
<td>101.4686</td>
</tr>
<tr>
<td>2002</td>
<td>54</td>
<td>0</td>
<td>40741.1</td>
<td>15.01637</td>
</tr>
<tr>
<td>2003</td>
<td>54</td>
<td>0</td>
<td>39685.5</td>
<td>-2.591</td>
</tr>
<tr>
<td>2004</td>
<td>54</td>
<td>0</td>
<td>52407</td>
<td>32.05579</td>
</tr>
<tr>
<td>2005</td>
<td>54</td>
<td>0</td>
<td>77500</td>
<td>47.88101</td>
</tr>
<tr>
<td>2006</td>
<td>54</td>
<td>0</td>
<td>94500</td>
<td>21.93548</td>
</tr>
<tr>
<td>2007</td>
<td>54</td>
<td>0</td>
<td>178800</td>
<td>89.20635</td>
</tr>
<tr>
<td>2008</td>
<td>54</td>
<td>0</td>
<td>195400</td>
<td>9.284116</td>
</tr>
<tr>
<td>2009</td>
<td>54</td>
<td>0</td>
<td>154568</td>
<td>-20.8969</td>
</tr>
<tr>
<td>2010</td>
<td>54</td>
<td>0</td>
<td>161846</td>
<td>4.708622</td>
</tr>
<tr>
<td>2011</td>
<td>47.6</td>
<td>-11.8519</td>
<td>203339</td>
<td>25.63772</td>
</tr>
</tbody>
</table>
Table 1 presents the percentage changes in life expectancy against the percentage changes in their respective budgetary allocations to health from 1997 – 2015. The table above is represented graphically in figure 1 below to vividly illustrate the increases or decreases in life expectancy and annual budgetary allocations to health.

Table 2 below presents the summary statistics of the raw data.

**Fig. 1: Graphical Representation of Changes in Life Expectancy and Budgetary Allocation to Health**

Source: Table 1.

Fig. 1 shows that there are slight changes in life expectancy in years 1998, 2011 and 2012. In 1998, life expectancy increased by 1.88% to stand at a rate of 54. In 2011, the life expectancy rate dropped by -11.85% to stand at a rate of 47.6 but increased by 0.073394% to stand at a rate of 54.54. For budgetary allocations to health, budgetary allocations to the Nigerian health sector decreased in years 2003, 2009, 2013, 2014 and 2015 by -2.591%, -20.89%, -2.09%, -6.09% and -1.90% respectively.
The hypotheses test was carried out in four steps as follows:

**Step One:** Re-Statement of the hypothesis in null and alternate

**Step Two:** Statement of decision criteria

**Step Three:** Presentation of the test result.

**Step Four:** Decision.

The hypothesis seeks to determine the impact of increased budgetary allocation to the health sector by the Nigerian Federal Government on life expectancy in Nigeria.

**Step One: Statement of Hypothesis**

H₀: Budgetary allocations to the health sector do not have a positive and significant impact on Life expectancy in Nigeria.

H₁: Budgetary allocations to the health sector have a positive and significant impact on Life expectancy in Nigeria.

**Step Two: Statement of Decision criteria:**

Accept H₀ if the sign of the correlation coefficient is -tive, t-Statistic of the regression result is < 2 and the probability of the t-statistics > 0.05 otherwise reject the H₀.
Step Three: Presentation of the Regression Analysis Result for Test of Hypothesis.

Table 3: Regression Analysis for Test of Hypothesis

<table>
<thead>
<tr>
<th>Dependent Variable: DLIFEEXPEC</th>
<th>Method: Least Squares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date: 10/04/16   Time: 18:45</td>
<td>Sample (adjusted): 1998 2015</td>
</tr>
<tr>
<td>Included observations: 18 after adjustments</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>DBUDGETALLOCOHEALTH</td>
<td>0.019167</td>
<td>0.046095</td>
<td>0.415818</td>
<td>0.6831</td>
</tr>
<tr>
<td>C</td>
<td>-0.000953</td>
<td>0.006166</td>
<td>-0.154583</td>
<td>0.8791</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.010691</td>
<td></td>
<td></td>
<td>0.000691</td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>-0.051141</td>
<td></td>
<td></td>
<td>0.019577</td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>0.020071</td>
<td></td>
<td></td>
<td>-4.874637</td>
</tr>
<tr>
<td>Sum squared resid</td>
<td>0.006446</td>
<td></td>
<td></td>
<td>-4.775707</td>
</tr>
<tr>
<td>Log likelihood</td>
<td>45.87173</td>
<td></td>
<td></td>
<td>-4.860996</td>
</tr>
<tr>
<td>F-statistic</td>
<td>0.172904</td>
<td></td>
<td></td>
<td>2.965004</td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>0.683067</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author’s Eviews 7.2 Output

Given the decision rule to accept $H_0$ if the sign of the correlation coefficient is -tive, t-Statistic of the regression result is < 2, and the probability of the t-statistics > 0.05 otherwise reject the $H_0$. From table 3 above, the correlation coefficient is 0.019167, the t-Statistic is 0.415818 < 2 and not been significant at 0.6831 > 0.05, we therefore, accept $H_0$ and conclude that Federal Government budgetary allocations to the health sector has a positive but insignificant impact on Life expectancy in Nigeria.

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This section summarizes findings arising from the study, concludes the study and made possible recommendations based on the research findings.

Findings from the study were summarized as follows:

1. That Federal Government budgetary allocation to the health sector has a positive but insignificant impact on life expectancy in Nigeria.

2. That the positive relationship between life expectancy and economic growth in Nigeria is hardly felt by the citizenry.

Conclusion.

The budget plays a very important role in identifying the performance of governments. Traditionally, the importance of budget relates to the allocation of money to each sector or program. The budget process therefore should not only concentrate on controlling spending, it should also serve as a link between planning, management, communications, and benchmarking in performance measurement.

For budgetary allocations to have a positive effect on the public sector reform agenda, each budgeting method adopted must have a relevant accounting system that is consistent with its nature and requirements as each accounting basis has a special nature and
characteristics that makes it appropriate for a specific use, and hence consistent with one of the budgeting methods. This will enhance fiscal transparency, improve efficiency and ensure accountability which is the essence of the public sector reforms.

Recommendations:
The findings showed that the budgetary allocations to the health sector have positive but insignificant impact on life expectancy in Nigeria.

Based on the findings of this study, the following are recommended:

1. The Federal Government should continue with the implementation of the public sector reform program in a way that it’s impact would be felt by the average Nigerians. This will ensure economic growth and improvement of the country’s macro-economic indices as achieving the various national development goals will depend on the ability of the government to implement the reform agenda.

2. The federal government must ensure that its budgetary allocations to the health sector translate into a positive relationship between life expectancy and economic growth in Nigeria.

3. The audit institutions should be strengthened to be able to carry out the responsibilities which the reform of health sector demands. This recommendation is on the strength of the research result that shows that the Federal Government budgetary allocations to health sector do have positive but insignificant impact on life expectancy in Nigeria.

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