

INFLUENCE OF CAPITAL FLIGHT ON BUDGET IMPLEMENTATION IN NIGERIA

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Abstract

The subject of budgeting in Nigeria has been a yearly affair which though good in content, but without an appreciable result. Consequently, this study examined the effect of capital flight on budget implementation in Nigeria. To achieve this broad objective, co-integration test and vector error correction were employed for the analysis using time series data spanning from 1986 to 2014. The dependent variable (budget implementation) was proxied by aggregate government expenditure, while the independent variables were capital flight, external debt, government revenue, economic openness, and real exchange rate. The co-integration results revealed that a long run equilibrium relationship existed among the variables. The error correction term indicated a rapid realignment to long run convergence by approximately 87 percent. The results further showed that capital flight was positive and significant in influencing government expenditure in Nigeria. Also, the Wald test showed that there is a significant short run causal relationship between capital flight and government expenditure in Nigeria. Based on these findings, the study recommended inter alia that government should set up a vibrant monitoring team to ensure that funds allocated for various projects are used efficiently.

Key words: capital flight, budget implementation, government expenditure, government revenue, and external debt

INTRODUCTION

According to the literature, among the lubricants that turns the wheels of an economy towards a successful trend are the various annual budgets articulated and implemented within a medium term plan and a medium term expenditure framework (Kwanashie, 2013) [15]. By definition, a budget refers to the framework of projected revenue and expenditure over a specified period of time, usually a year (Olurankise, 2012) [26]. Consequently, a budget is an instrument used to distribute public funds towards achieving some public values and decisions (Ibanichuka & Oyadonghan, 2014) [12]. As such, by implementing a budget, it is expected that resources be allocated to various sectors on the basis of the country's priorities and programme effectiveness, while taking responsibility for certain accounting operations as stated by the budget statement (Omolehinwa, 2014) [27]. According to Uche, Iheugba & Nwosu (2013) [34], sound budget implementation is hinged on planning as well

as generating adequate revenue that will be sufficient to offset the planned expenditure of the state. However, notwithstanding the benefits of budget implementation, the process have been problematic in Nigeria and other developing countries of the world (Omolehinwa, 2014) [27].

Somewhat surprisingly, despite all pronouncements and relatively huge investments and oil revenue, Nigeria have achieved very little in improving the welfare of its citizens due to poor budget implementation resulting from fiscal deficit (i.e. a situation when government revenue falls short of government expenditure) (Ugoh & Ukpere, 2009 & Ojo, 2012) [35, 23]. Hence, budgeting in Nigeria have raised several controversies regarding the modalities for preparation, implementation and administration given the persistent change in government, policy and ideologies (Oke, 2013, & Omolehinwa, 2014) [24, 27]. These controversies have manifested over the years

and most recently in the Buhari's led administration which resulted to late passage of the 2016 appropriation bill.

Similarly, literature abound that budget implementation in Nigeria have been marred by poor monitoring, and embezzlement of public funds coupled with dominant individuals who influence the budget for their selfish interests and personal aggrandizement (Ugoh & Ukpere, 2009, Nwarogu, 2015, & Oke, 2013) [35,22, 24]. Also, the dwindling revenue, especially revenue from crude oil, taxation and agricultural products is responsible for the short fall in government revenue which have hindered the government from channeling funds for infrastructural development (see *inter alia* Nwarogu, 2015, Omolehinwa, 2014, and Maximus, 2013) [22, 27, 18]. However, a factor that have been neglected in the literature of budgeting is a phenomenon known as "capital flight."

A great deal of attention have been given to measuring and explaining the phenomenon of capital flight from Nigeria and other developing countries (see, *inter alia* Fofack & Ndikumana, 2014, Olawale & Ifedayo, 2015, Uguru, 2016) [10, 25, 36]. Literature abound that there is no widely accepted definition of capital flight. However, in this paper capital flight was referred to as all financial flows recorded in the balance of payment. Nevertheless, capital flight can be legal or illegal. According to Massa (2014), and Ajilore (2010) [17, 5,] capital flight can be defined as illegal if the funds are the proceeds from illicit activities (such as money laundering, tax evasion, child trafficking, smuggling etc.), if the transfer itself is illegal, or if legal obligations relating to the fund are not adhered to. On the other hand, capital flight have been defined to connote the investor's resolution to channel their investments abroad due to unfavourable economic situations (such as, high inflation rate, political instability, exchange rate depreciation etc.) (Isu, 2012) [13]. As such, these outflow in terms of capital flight could have an adverse effect on government expenditure by eroding the tax base (Uguru, 2016) [36].

Over the years, Nigeria have suffered from

several economic injuries due to capital flight. According to Saheed & Ayodeji (2012), about ₦1,043.77 billion left the shores of Nigeria as capital flight [33]. Agu (2010) reported that capital flight-to-debt ratio and capital flight-to-gross domestic product ratio for Nigeria was 94.3 percent and 133 percent between the period of 1982 and 1991 [3]. Also, Waleru (2013) and Ajayi (2014) [38, 4] reported that about \$51billion left Nigeria through the oil and gas industry within the period of 1998 and 2002. Dim & Ezenekwe (2014) [9] stated that approximately US\$13.894 billion exit Nigeria between September and November, 2009 when several billions of US Dollars was traded by the bureau de-change and banks. Also, literature reveals that there are yet unrecorded and illicit transfers that have taken place in Nigeria, predominantly those perpetrated by contractors who connive with public servants to siphon funds mapped out for public utilities (Adeola, 2015) [2]. These estimates reflects loss of wealth which could be mounting serious pressure on domestic savings, investments, productivity and government revenue generation in a capital scarce economy like Nigeria (Adebayo & Ayodele, 2016, Uremadu, Onyele & Ariwa, 2016) [1, 37].

According to the tax depressing thesis of capital flight, due to the persistent erosion of domestic resources, potential government revenue is lost. This is because wealth held abroad are outside the control of the domestic government and cannot be taxed. As such, the debt servicing capacity of the government is reduced, and the debt burden is increased. Hence, the revenue generating potentials of the government declines, and budget implementation becomes unrealizable due to lack of government revenue (Uguru, 2016) [36].

Therefore, this study is based on the premise that the direct result of capital flight is the reduction in government revenue which accounts for low rate of budget implementation in Nigeria. Consequently, it is imperative to note that the concomitant effect of capital flight on budget implementation could be responsible for the lingering economic failure in Nigeria.

One of the means by which capital flight finds expression is through the corruption channel (Rotimi, Obasaju, Lawal & Ise Olurunkanmi, 2013, Cerra, Rishi & Saxena, 2008) [32, 7]. According to these authors, corruption is an enemy to economic development and good governance in Nigeria as it has degenerated to misappropriation of public funds, lack of innovation, low level of infrastructural development, and low investments. According to Makpor & Akpede (2014) [16], by way of corrupt activities (especially money laundering) the market economy is manipulated by interfering with currency fluctuations and investment outflows and inflows. By way of corruption, the composition of public expenditure is skewed away from needed operations and maintenance towards government expenditure on developmental projects (Nwaorgu, 2015, & Makpor & Akpede, 2014) [22, 16].

In Nigeria, corruption is mostly seen as one of the essential ways of bringing about wealth, hence resulting to the population desiring public offices with the mindset of looting public wealth to themselves. Consequently, by amassing these public funds mapped out for capital and recurrent expenditures towards economic expansion, corrupt leaders channel them abroad to be concealed or even use these funds to acquire personal fortunes abroad (Adeola, 2015 & Onishi, 1999) [2, 28]. As such, the amount money available to the government declines, and budget implementation becomes difficult (Rotimi, Obasaju, Lawal & Ise Olurunkanmi, 2013, Cerra, Rishi & Saxena, 2008) [32, 7].

At all levels of government, it is glaring that governance without sound budget implementation will definitely result into haphazard development if there is development at all (Kwanashie, 2013) [15]. As such, scholars have identified and investigated several channels through which capital flight constrains economic development of a country. Nevertheless, there is no literature known to the author that have addressed the influence of capital flight on budget implementation in Nigeria. As such, this study is aimed at filling this gap in the literature by examining the influence of

capital flight on budget implementation in Nigeria.

With this background, the rest of the paper was organized as follows: section two reviewed prior empirical works and theories on the subject matter; section three dwelt on the methodology adapted for the study, while the fourth section of the paper is an in-depth analysis and discussion of the effect of capital flight on budget implementation (as proxied by total government expenditure) in Nigeria. Finally, section five concluded the paper with suggestions and recommendations.

Theoretical and empirical framework

There are four basic theories explaining the subject of capital flight in the literature. These theories have been highlighted and explained briefly as follows:

(1) The investment diversion thesis

This theory is based on the idea that due to macroeconomic uncertainties in developing countries and the opportunity of having a better investment climate in advanced countries, investors resolve to channel their investments abroad to take advantage of wide array of financial instruments, favourable tax climate etc. Therefore, these funds are not available for domestic investments resulting to low economic growth.

(2) Debt-driven thesis

This theory (also known as debt-overhang theory) states that capital flight decreases the incentive to save and invest. The idea behind this is that ; with large external debt burden, there is the likelihood of exchange rate devaluation, fiscal crisis, and the propensity of increasing taxes or even expropriation of assets to service the debt. As such, with this impending economic doom due to external borrowing, investors could channel their investments abroad for safety.

(3) Tax depressing thesis

This theory postulates that capital flight results to government revenue loss because wealth held outside the domestic economy cannot be taxed as it is out of the domestic governments' control. This implies that government revenue is reduced, debt-servicing capacity of government declines and budget implementation becomes a problem.

(4) Austerity generating thesis

This suggests that the poor in several indebted countries is due to capital flight. According to Pastor (1990) [30], the theory implies that the poor suffer more because they are vulnerable to excruciating austerity measures by government to pay for debt obligations to international banks.

Empirical literature on capital flight and budget implementation

Uguru (2016) [36], carried out an empirical study regarding the effect of capital flight on tax revenue in Nigeria and found that a unit increase in capital flight led to a 0.02 or 2 percent decrease in tax revenue. Similarly, Olawale and Ifedayo (2015) [25], discovered that capital flight had a negative impact on the economy of Nigeria. Also, Ndikumana (2013) [21], concluded that capital flight had a negative and statistically significant effect on domestic investments and that this effect holds even when other important determinants of investments were accounted for in the specification. With emphasis on the determinants of capital flight, Quan & Paul (2006) [31], found that political instability was the most important factor associated with capital flight. To further buttress the devastating effect of capital flight, Gusarova (2009) [11] studied 139 countries for the period of 2002-2009 and found that capital flight had a negative impact on gross domestic product growth rate. Also, Isu (2002) [13], analyzed the implication of capital flight on the development of Nigeria and concluded that Nigeria greatly suffered as a result of capital flight. Given these persistent outflows, Omolehinwa (2014) [27] stated that the basic problem of budgeting in Nigeria is lack of funds coupled with misappropriation the available funds in the process budgeting.

With emphasis on the availability of funds, Ibanichuka & Oyadonghan (2014) [12], analyzed the problem of budget implementation in Nigeria with the finding that cash basis is paramount to budget implementation and fair presentation of the financial position of a government. In a similar study, Nwaorgu (2015) [22], showed that dominant individuals (i.e. politicians) involves in manipulation of budget items before and after approval of annual estimate:

embezzlement and fraudulent activities lack of proper budgeting processes are responsible for the failure of budget in Nigeria. With emphasis on the need for institutional capacity building in Nigerian states, Maximus (2013) [18] found that budget implementation in Anambra state has significantly positive correlation with the MDGs – related programmes of the state in education and health sectors. Uche *et al.* (2013) [34], assessed the causal relationship between the government expenditure on education and economic growth and revealed that expenditure on education was positively related to the gross domestic product. Similarly, Oke (2013) [24] & Bingxin *et al.* (2009) [6] concluded that budget implementation and government expenditure is a prerequisite for economic prosperity in Nigeria, Africa and Asia respectively.

MATERIALS AND METHODS

The *Ex post facto* research design was adopted for this study. The justification for the use is that required data cannot be manipulated. Time series data for the period 1981 - 2015 were sourced from Central Bank of Nigeria statistical bulletin 2015.

The data were analyzed using the Ordinary Least Squares (OLS) regression technique. This regression technique has been employed and found to be suitable in similar researches like Uche *et al.* (2013) [34], Olawale and Ifedayo (2015) [25], and Uremadu *et al.* (2016) [37] due to its unique properties of linearity, efficiency, sufficiency, least variances, unbiasedness and least mean errors. To avoid a spurious regression results, prior to the regression analysis, the data set was tested for unit root and co-integration using Augmented Dickey Fuller and Johansen co-integration to test for stationarity and long run relationship of the variables used.

Model specification

The researchers adopted the models of Oke (2013) [24] and Uremadu *et al.* (2016) [37] for this study with some modifications. The model was specified as follow.

$$GVEX_t = \beta_0 + \beta_1 CFLT_t + \beta_2 DEBT_t + \beta_3 GREV_t + \beta_4 OPEN_t + \beta_5 EXCH_t + \mu_t$$

..... (1)

Where,

GVEX = Government expenditure (a proxy for budget implementation)

CFLT = Capital flight

DEBT = External debt

GREV = Government revenue

OPEN = Economic openness

EXCH = Exchange rate

Description of research variables

Dependent variable

Government expenditure (a proxy for budget implementation)

The goal of budget implementation is to assure citizens that public funds are used legally and efficiently. As such, following the studies of Oke (2013) [24], Maximus (2013) [18], & Kwanashie (2013) [15], changes in government expenditure have been used to proxy budget implementation in this study.

Independent Variables

Capital Flight (CFLT)

As earlier explained, capital flight is the outflow of domestic resources from less developed economies. Hence, with the persistent outflow of resources without repatriation, the amount of resources available domestically will be depleted and budget implementation becomes difficult. Capital flight was computed using the residual method as proposed by (World Bank, 1985) [39]. Negative figures represents net capital inflow, while positive figures represent capital flight.

$$CFLT = \Delta EXD + NFDI - (\Delta RSV + CAB)$$

.....(2)

where,

CFLT = Capital flight, ΔEXD = External Debt, NFDI = Net foreign direct investments, ΔRSV = External reserves; and CAB = Current account balance

External Debt (DEBT)

According to the debt overhang and tax depressing theses of capital flight, lack of investment funds and tax revenue due to capital flight have necessitates a massive buildup of foreign debt. For developing countries (like, Nigeria), an increasing external debts usually bring about inflationary financing, which is equal to imposing more tax on domestic residents (Uremadu *et al.*

2016) [37]. As the residents realize this tendency, they will avoid the future tax burden due to current fiscal deficits by moving their assets abroad to avoid deprecation in value of such assets.

Exchange Rate (EXCH)

Exchange rate as a determinant of capital flight represents the notion that domestic currency depreciation reduces purchasing power. Hence, capital flight arises as investors seek to channel their investments cum savings abroad for higher returns due to weak currency at home (Onoja, 2015) [29]. A negative fluctuation of currency decreases the purchasing power of domestic currency leading to a high import prices, low return from exports and *vice versa*.

Economic openness (OPEN)

According to Crotty (1983) [8], Keynes specifically attributed the problem of capital flight as one danger posed by open economy. Economic openness have been used to control for trade globalization. It signifies the size of the external sector, and it is expressed as the sum of imports and exports as a ratio of gross domestic product. When an economy is liberalized, residents are allowed to open foreign exchange accounts and restrictions on foreign exchange management by banks are removed.

Trend Analysis

In order to obtain a more in-depth analysis, the variables were subjected to further analysis through graphs.

Unit Root Test

This is the test of non-stationarity under time series variables. Unit root tests are carried out on the individual variables in isolation; that is, it does not take into account any relationship that might be between the variables being tested and any variable selected to be in the model. The study used the Augmented Dickey – Fuller (ADF) test to examine the variables.

Co-integration Test

Co-integration is the statistical implication of the existence of long run relationship between the variables which are individually non-stationary at their level form but stationary after difference. Following Johansen approach to co-integration, there can be a maximum of n-1 co-integrating vectors each of which

forms a long-run equilibrium relationship amongst the selected variables (Johansen, 1988) [14]. According to this framework, a long-run solution exists where there is full rank, r , of n independent equations for an $n \times n$ matrix of parameters which may depend on the restrictions imposed on the VAR (Uche, *et al.* 2013) [34].

Lag selection criteria

After ascertaining that the variables are co-integrated, the information provided by the SC. tests are used to generate a set of error correction models (EC) to capture the short run and long-run behaviour of the exports

relationship.

Vector Error Correction Model (VECM)

With the existence of co-integration (long run relationship) among the variables, the vector error correction (VECM) was generated to capture the short run and long-run dynamics of the variables used in the study.

RESULTS AND DISCUSSIONS

Trend analysis shows the fluctuations in capital flight and budget implementation (as proxied by aggregate government expenditure) 1981-2014. (Fig.1.)

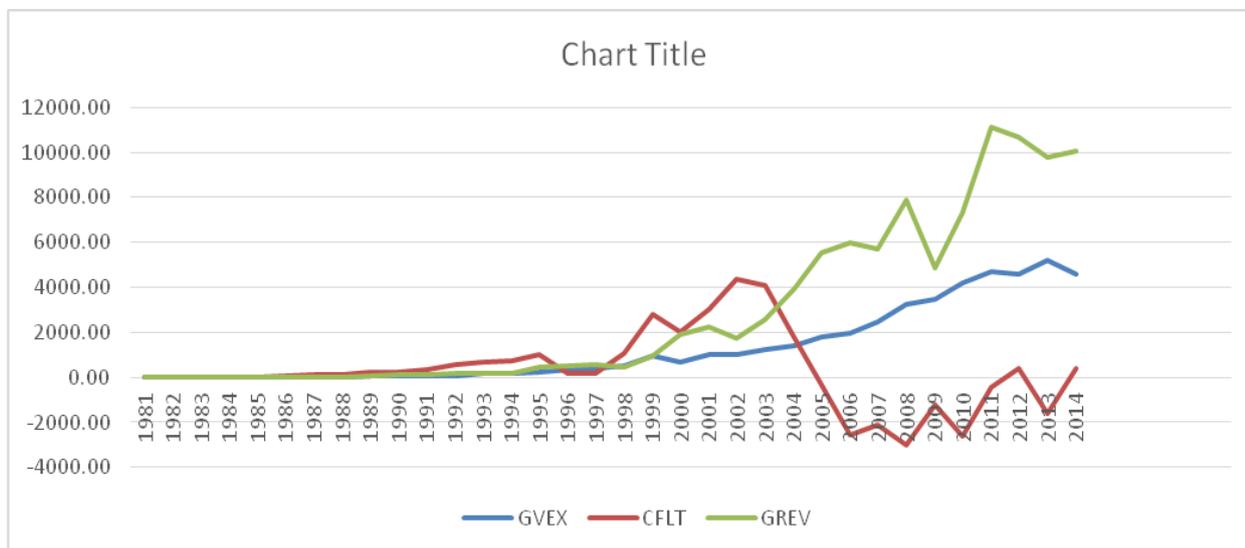


Fig. 1. Trend of capital flight, government expenditure and government revenue (1986-2014). Source: Plotted by Author (2016) using Microsoft Excel 2010.

Unit Root Test results are presented in Table 1. The result of the ADF unit root test at level and first difference was reported in Table 1. From the results, all the variables are integrated at order 1 i.e. $I(1)$.

As such, the co-integration test was carried out to check for the existence of a long-run relationship among the variables, in other to address the problem of spurious regression.

Table 1. Summary of Augmented Dickey Fuller (ADF) Test Results

Variables	ADF @ Level	ADF @ 1 ST Difference	Order of Integration
CFLT	-2.013360	-5.305004***	I(1)
DEBT	-0.519737	-5.952864***	I(1)
EXCH	-2.145017	-5.316043***	I(1)
GREV	-1.920606	-6.665970***	I(1)
GVEX	-1.254785	-7.977610***	I(1)
OPEN	-1.656338	-7.581988***	I(1)

Source: Author’s Eviews Computations (2016)

The co-integration results are presented in Table 2.

The Trace statistic indicates three co-

integrating equations given that the trace statistic is greater than the 5 percent critical value at $r = 0$, $r \leq 1$ and $r \leq 2$. Likewise, the

Max-Eigen statistic indicates three co-integrating equations following that the Max-Eigen statistic is greater than the 5 percent critical value at $r = 0$, $r \leq 1$ and $r \leq 2$. Consequently, it was concluded that a long

run equilibrium relationship existed between the dependent variable (government expenditure) and the explanatory variables (capital flight, external debt, exchange rate, and government revenue) in Nigeria.

Table 2. Johansen co-integration test results

Null Hypothesis	Trace Statistic	5% Critical Value	Max-Eigen Statistic	5% Critical Value
$r = 0$	208.4860	95.75366	117.9523	40.07757
$r \leq 1$	90.53366	69.81889	39.26344	33.87687
$r \leq 2$	51.27021	47.85613	29.07096	27.58434
$r \leq 3$	22.19925	29.79707	11.41398	21.13162
$r \leq 4$	2.443361	15.49471	8.053476	14.26460
$r \leq 5$	2.731796	3.841466	2.731796	3.841466

Source: Eviews Computations (2016)

Lag selection criteria

The results of the lag selection criteria are presented in Table 3, which shows a set of

error correction models (EC) reflecting the short run and long-run behaviour of the exports relationship.

Table 3. Lag selection criteria

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-1066.463	NA	4.51e+22	69.19117	69.46871	69.28164
1	-903.9875	251.5750*	1.35e+19	61.03145	62.97427*	61.66476*
2	-863.1120	47.46836	1.31e+19*	60.71690*	64.32500	61.89305

* indicates lag order selected by the criterion

LR: sequential modified LR test statistic (each test at 5% level)

FPE: Final prediction error

AIC: Akaike information criterion

SC: Schwarz information criterion

HQ: Hannan-Quinn information criterion

Vector Error Correction Model

The changes in the individual variables represent the short-run dynamics, while the coefficient of the error correction term (ECT) represents the speed of adjustment back to the long-run relationship among the variables. Consequently, the results obtained from the vector error correction were presented in Table 4.

It is obvious that the optimal lag length used for the study is two lag based on the information provided by the Schwarz Information Criterion (SC). The -0.874885 coefficient of the ECT highlighted in Table 4 is significant and negative, which indicates a long run convergence.

The 87.4885 percent adjustment rate is relatively high and signifies a rapid realignment to long run convergence.

The adjusted R-squared for the regression is 0.582541, which implies that approximately

87.35 percent of the total variation in the dependent variable (GVEX) was explained by the changes in the explanatory variables (CFLT, DEBT, EXCH, GREV and OPEN), while the error term (ϵ) accounted for the remaining 41.7 percent variations in the dependent variable unexplained by the explanatory variables used in the model.

On the other hand, the F-statistic, indicates a substantially strong model with significant explanatory usage. The Prob (F-statistic) showed that the overall model is significant at 1 percent level. This implies that the explanatory variables used in the model were significant in explaining the changes in government expenditure in Nigeria. As such, the model was accepted to be satisfactory for the current study.

The results in Table 4 shows that one lagged value of capital flight have a positive influence on government expenditure and is

significant at 5 percent level. The results tend to contradict the finding of Ndiaye (2010) [20] that a positive relationship existed between capital flight and government capital expenditure in selected African countries. However, Uguru (2016) [36] confirmed that the tax depressing thesis of capital flight holds for Nigeria. This implies that the reduction in

government revenue occasioned by increased capital flight did not overweigh capital inflow into Nigeria. This could be due to the fact that a government can borrow from abroad to bridge the resource gap in the domestic economy, since external debt is a major component of capital flight (Ajayi, 2014) [4].

Table 4. Vector Error Correction (VECM) Estimates

Variables	Coefficients	Std. Error	t-Statistic
ECT(-1)	-0.874885	0387967	-2.25505**
D(GVEX(-1))	0.083512	0.52787	0.15821
D(CFLT(-1))	0.323395	0.13043	2.47936**
D(DEBT(-1))	-0.627104	1.56424	-1.67947
D(EXCH(-1))	-10.16348	4.39862	-2.31061**
D(GREV(-1))	3.492966	7.40697	0.47158
D(OPEN(-1))	-4.597249	4.30786	-1.06718
C	264.7698	88.3325	2.99742**
R-squared	0.798468		
Adjusted R-squared	0.582541		
F-statistic	3.697860		
Prob(F-statistic)	0.008720***		

Source: Eviews Computations (2016)

However, this finding is in contrast with the *a priori* expectations probably due to the limitation of this study as it failed to capture the amount of capital flight occasioned by corrupt activities such as, money laundering, drug trafficking, bribery etc.

Capital flight leads to poor growth, which calls for the necessity to borrow from abroad. However, going through the results, external debt caused government expenditure to decline. This is in line with the debt-driven thesis of capital flight that with large foreign debt, there could be fiscal crises as government use the available resources to service the debt. Consequently, further indebtedness promotes capital flight, which in turn hampers growth in government expenditure (a proxy for budget implementation).

Also, one of the assumptions of the debt-driven thesis of capital flight is that higher external borrowing could result to exchange rate depreciation. The exchange rate coefficient in this study supports this assertion given its negative coefficient and significant t-value. Hence, it can be concluded based on this study that a vicious circle exists between capital flight, external debt, exchange rate and

government expenditure in Nigeria. On the other hand, the coefficient of economic openness is negative and insignificant. Therefore, firm conclusion cannot be based on it.

In line with the *a priori* expectation, government revenue exerted a positive effect on government expenditure, though insignificant at 5 percent level. An increase in last year's revenue increased government expenditure in Nigeria.

A plausible reason for the insignificant coefficient could be given to the fact that Nigeria's revenue comes largely from the oil sector.

As such, it can be concluded that the fluctuations in oil price and oil production over the years might have caused a disastrous effect on government fiscal behavior. Similarly, Uguru (2016) [36] concluded that government revenue depreciated due to capital flight.

Wald test

The results regarding the application of Wald test are presented in Table 5.

Table 5. Short run causality results

Test Statistic	Value	df	Probability
t-statistic	-2.662593	15	0.0177
F-statistic	7.089403	(1, 15)	0.0177
Chi-square	7.089403	1	0.0078

Source: Eviews 9.0 output

CONCLUSIONS

The current study critically analyzed the influence of capital flight on budget implementation in Nigeria. The analysis demonstrated that capital flight was a significant factor in determining the changes in budget implementation (proxied by government expenditure) in Nigeria. This positive trend in budget implementation amidst capital flight was attributed to the fact that the Nigerian government borrowed from external sources coupled with aids from abroad. A vicious circle was found to exist between capital flight, external debt, exchange rate and government expenditure. Consequently, it was concluded that a persistent increase in capital flight will remain a threat to the economic life of Nigeria, especially in the area of mobilizing revenue to implement the planned financial plans of Nigeria. As such, state's public spending is crucial to Nigeria's fiscal sustainability and progress on economic indicators that will lead to the achievement of MDGs (Maximus, 2013) [14]. Therefore, public officials should spend funds lawfully or risk impeachment or dismissal.

In view of the above findings and conclusions, this paper recommended the following:

-With a high rate of capital flight from Nigeria through poor economic regulation and laundering of public funds meant for developmental projects. Government should set up a vibrant monitoring team to ensure that funds allocated for various projects are used efficiently. A step towards achieving this is by ensuring clarity of roles and responsibilities for the various officials and institutions in order to know the job specifications.

-Also, since the federal government have reported that they have recovered some

amount of funds from identified looters, such funds should be built into the current budget plans and immediately diverted into profitable projects that will benefit Nigerian citizens.

-Given the rate of external borrowing to make-up for shortages in domestic resources, the government through financial and economic experts should set a limit to the amount of borrowings. Unless, the limits are set, Nigeria may go back to reckless borrowings.

-Mobilization of domestic resources is also crucial for sound budget implementation. Hence, the need for conducive economic environment that will attract foreign investors and also encourage domestic investors to retain their investments in Nigeria. To achieve this, the mono economy nature of Nigeria should be abolished so as to create multiple sources of government revenue which will in turn aid the implementation of budget in Nigeria.

-Finally, since investors will like to flee from a weak currency for investment in an economy with stable exchange rate. The monetary authorities can make efforts to ensure that a favourable exchange rate policy is achieved by consulting with the three tiers of government.

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