PARTICIPATORY BUDGETING IN THE NIGERIAN PUBLIC FINANCIAL MANAGEMENT SYSTEM

"FOLLOW THE MONEY"

Gilead Trust Economic Empowerment Projects (GTEEP)

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Contents

NOTES

Why the handbook?

This handbook aims to clarify essential elements of fiscal policy management that are required for both taxpayers and non-taxpayers, who deserve to benefit from government revenue generation.

The Questions Addressed

- How is government revenue generated?
- How is the generated revenue allocated to promote the health of the economy and the welfare of all citizens?
- How can ordinary citizens **understand** their rights and obligations to participate in the revenue allocation (budgeting) process **(Participatory Budgeting)**?
- How can Gender-Responsive Budgeting, a model of Participatory Budgeting promote the inclusion of marginalized populations?
- In summary, how can citizens intervene in the Public Financial Management (PFM) process so that meeting their tax obligations also translates into greater **Public value**

What is the rationale for this Handbook?

- A significant knowledge gap exists about the twin processes of revenue generation and public budgeting. This has fueled relative apathy toward citizens' roles and responsibilities in governance.
- This is signaled by low tax compliance and dampening of citizens' zeal in their duty to hold the government accountable for judicial and transparent use of the people's resources.
- Nigeria's Constitution grants citizens the rights, roles, and responsibilities to participate in these processes[1].
- There is doubt that people's obligations to pay their taxes are met with sufficient **public value** -that ensures that the economy's positive health also translates into socially inclusive and sustainable development, in a people-centered economic planning context[2].

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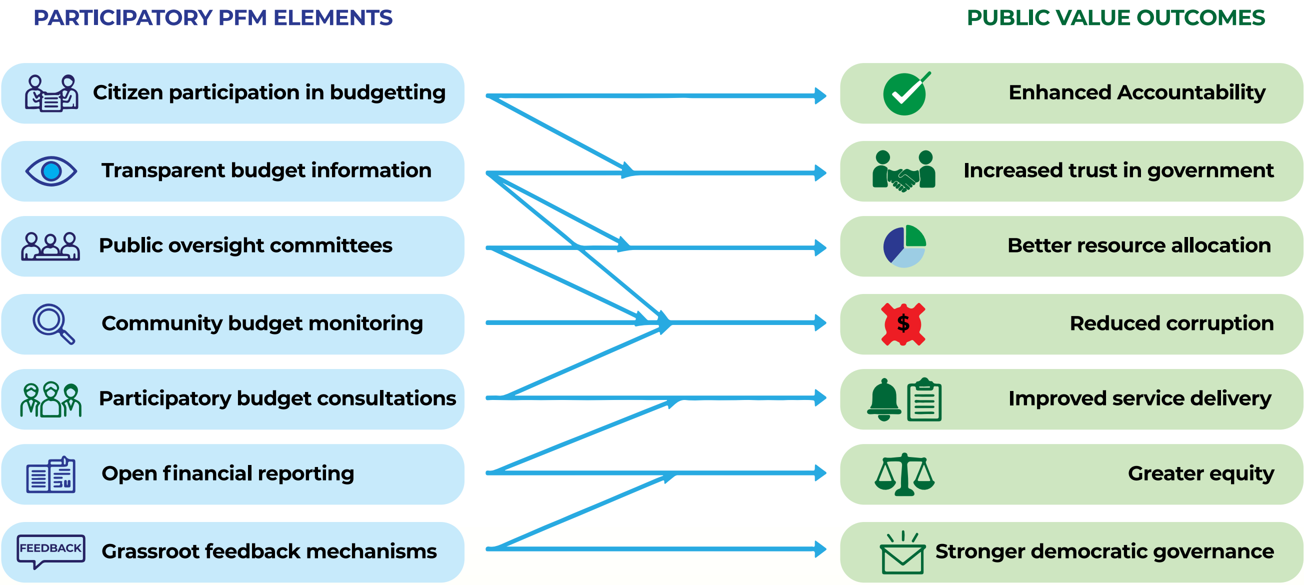
1. Appendix 1 – Constitutional Provisions on Citizen's Rights for accountability and participation in the PFM process
2. Appendix 2 – What is Public Value?

So, how can greater government revenue provide greater public value?

A Conceptual Framework



The prerequisites for this are:

- Both the tax revenue collection and budgeting processes must be as open and transparent as possible.
- A proper understanding of the entire financial management system (PFM) at all levels of government, and of all entities' responsibilities within it.
- A proper understanding of the mainstream budgeting process (the budget cycle)
- Identification of participatory spaces within the budget cycle
- Building coalitions and platforms to enhance active use of citizen participation spaces
- Demanding the actualization of the rights of participation from PFM agencies, as enshrined in the Constitution
- Demanding effective oversight functions through the political representatives of the people
- The Civil Society engaging the Judiciary in arbitration between the citizens and the government

What are the current contexts for Participatory Budgeting?

What is collected as public revenue must be used for the intended purpose (enhancing public goods and services) through effective and equitable budgeting. Tax revenue increase substantially.

Under the **new tax policy**, which means greater scope for budgetary allocation to meet more of people's felt needs.

The new policy must promote not just GDP growth and macroeconomic balance, but also improve citizens' well-being, quality of life, and enhance their livelihood opportunities Intentional attention to removing obstacles to profitability economic ventures, and people's sense of relevance in decisions that affect them.

Why is your involvement important NOW?

There is a big communication gap between the government and the citizens in the budget-making process that leads to the opaque use of public funds

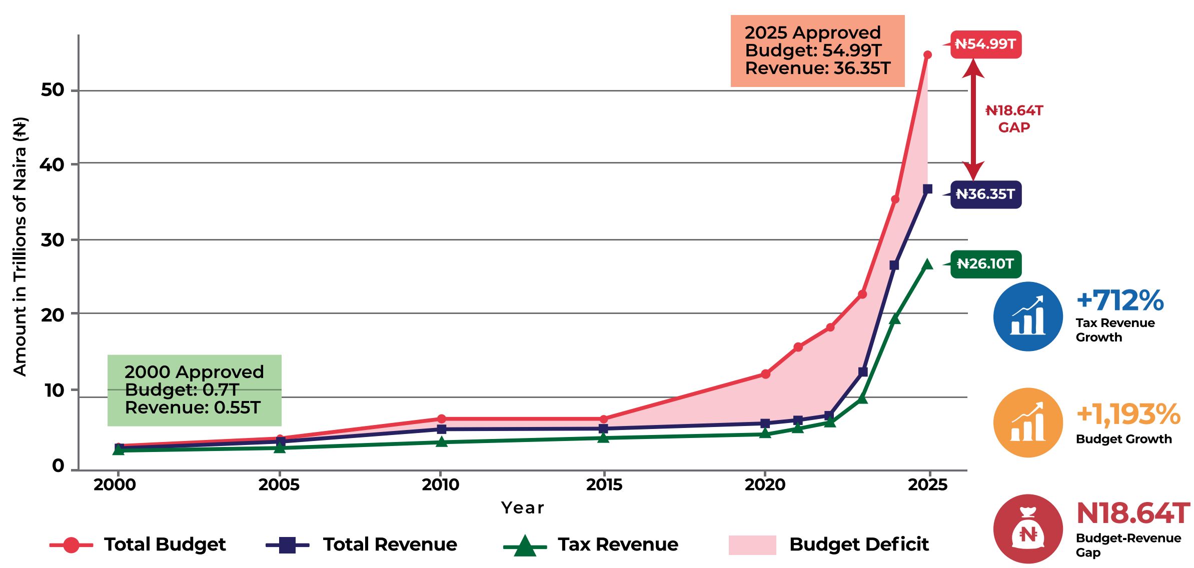
Nigeria often has well-designed and approved budgets on paper, but in practice, these still fails to deliver services, infrastructure, and social spending.

Revenue versus Expenditure trends are hardly compatible, leading to high budget deficits and borrowing.

A new tax policy has taken effect in Nigeria from January 2026, which significantly raises revenue and offers advantages previously unavailable to both the government and the citizenry. Will the government spend more on citizens when they collect more revenue?

Nigerian Financial Overview (2000 - 2025)

Revenue, Budget (Appropriation), Tax Tax Revenue & Deficit Trend



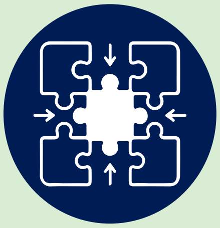
SUMMARY

- The budget has grown more than 75X since 2000
- Nigeria consistently spends more than it earns, creating a persistent borrowing burden.
- Revenue has grown over 65X but remains below the budget line.
- Non-oil tax revenue is rising and now makes up to over 70% of total revenue.
- A persistent and widening deficit however, continues to drive borrowing.

ABOUT THE NEW TAX POLICY

Unresolved conflicts await further government action.

https://tinyurl.com/ykn59aw9



Key Positive Features

Consolidation: Small, overlapping taxes were unified with the removal of more than 50 nuisance levies

Strong relief for low-income earners and small businesses: Tax exemption from Personal Income Tax (PIT) for individuals earning less than ₦800,000 annually; Exemption from Companies Income Tax, Capital Gains Tax, and the new Development Levy for small companies with a turnover below ₦100 million and fixed assets under ₦250 million.

Shifting the tax burden to larger, more profitable firms: A single 4 percent Development Levy replaces previous decentralized charges (Tertiary Education Tax, NASENI levy, IT levy, Police Trust Fund levy, etc). Redesigning the PIT bands for progressive taxation and raising the capital gains tax rate for companies from 10 percent to 30 percent, and a marginal PIT rate of up to 25 percent for the highest earners.

Abolition of the old "association-based" presumptive tax system for informal businesses: The obnoxious system enforced through roadblocks and cash collections by trade unions is replaced by a codified turnover tax that applies a low flat rate to most while exempting the smallest operators, also routing payments through official tax channels.

Modernization of Tax administration: Unified procedures, digitization, e-invoicing, and the creation of a Tax Ombudsman and Tax Appeal Tribunal to reduce arbitrary practices, strengthen dispute resolution, and improve collection efficiency.

Source: https://www.youtube.com/watch?v=GWgfjBbRf8I

Which specific sectors will contribute to the tax revenue growth?

Sources of the Gains from the New Tax Reforms.

Gains from Different Income Brackets

Nigeria's 2026 Income Tax Brackets

Here's how much Nigerians will pay in taxes based on income starting January 2026

Annual Income (NGN)	Monthly Income (NGN)	Tax Rate
0 - 800,000	**0 - 66,667**	**0%**
800,001 - 3,000,000	**66,668 - 250,000**	**15%**
3,000,001 - 12,000,000	**250,001 - 1,000,000**	**18%**
12,000,001 - 25,000,000	**1,000,001 - 2,083,333**	**21%**
25,000,001 - 50,000,000	**2,083,334 - 4,166,666**	**23%**
Over 50,000,000	**Over 4,166,666**	**25%**

Tax is charged progressively, only the portion of income within each band is taxed at that band's rate

Gains from Sectoral Growth

SECTOR	SHARE OF COMPANY INCOME TAX (%)				CHANGE 2022 - 2025 percentage	TREND 2022 - 2025
	2022	2023	2024	2025		
Finance &Insurance	12.4%	18.3%	20.3%	30.1%	+17.6	12.4% 30.0%
Others	26.1%	24.3%	26.3%	24.4%	-1.7	26.1% 24.4%
Manufacturing	27.9%	24.9%	19.5%	17.7%	-10.2	27.9% 17.7%
ICT	21.6%	18.6$	13.9%	6.5%	-15.1	21.6% 6.5%
Mining & Quarrying	8.4%	9.4%	15.3%	14.5%	+6.1	8.4% 14.5%
Wholesale & Retail (including motor vehicle repair)	3.6%	4.6%	4.7%	7.0%	+3.4	3.6% 7.0%

Finance & Insurance is the biggest driver of tax revenue growth

ICT and Manufacturing have seen a significant decline in their contribution

Mining & Quarrying and Wholesale & Retail have increased their contribution

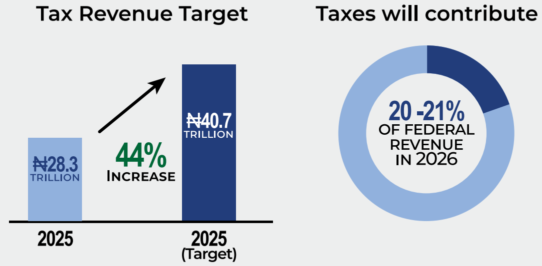
Others remain a major contributor at 24.4% in 2025

- Tax revenue currently derives mainly from finance and insurance.
- Revenue from the manufacturing and ICT sectors has been shrinking.
- A stronger tax drive in the wholesale and retail sectors and in small-scale manufacturing should expand the tax revenue base.
- Boosting of capacities and productivity through greater infrastructure budget will address the decline in tax revenue from manufacturing and ICT sectors

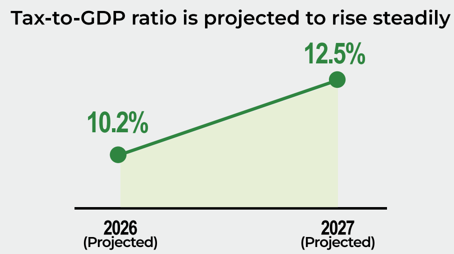
Source: https://weetracker.com/2025/09/18/nigeria-new-tax-laws-anxiety-cost-of-living-crisis/.

What are the advantages for the health of the economy?

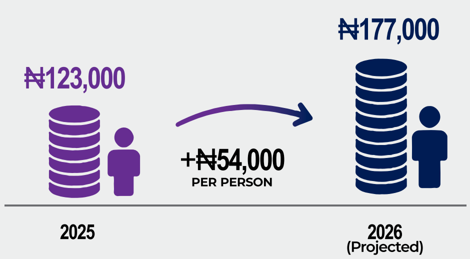
For Government



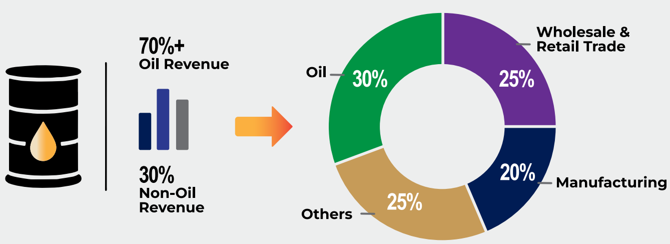
- Higher expected tax revenue, in 2026 than in 2025.



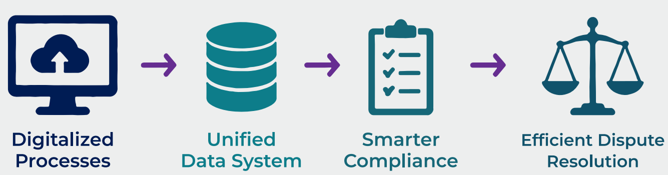
- Increasingly higher tax-to-GDP ratio over time.



- Significantly higher per capita tax contributions.



- Better distribution of revenue sources across sectors. Less reliance on oil revenue.



- Improvement in tax collection efficiency and reduction in arbitrary practices.

For Citizen

- Improved consumption and quality of life, and increased business survival.

- Enabled informality-to-formality transitions for small and medium enterprises, including small-scale manufacturing in critical value chains.

- Revenue growth in the informal sector, where the majority of Nigerians work, and where more vulnerable ones operate.

- Social contract between the government and citizens strengthened. Per-capita social spending should rise above current very low levels - enough, for example, to double federal health outlays per person or significantly raise basic-education funding, without increasing tax rates further.

Who is tax exempt? Some conflicts addressed under the new tax policy.

A tax-exempt entity is an individual earning less than
₦800,000
in net revenue.

A tax-exempt corporate body earning less than
₦5,000,000
in net revenue.

There is still ambiguity about the classification of large corporate bodies with the elimination of medium sized companies.

A nonprofit organization whose income is used for charitable or unpaid development services.

Religious bodies and Vulnerable groups

- *Tithes, offertory, and gifts used for religious purposes are tax exempt with mandatory documentation and audited accounts.*

- *Commercial enterprises of these religious bodies are separate taxable accounts.*

- *Clergy income and civil society staff salaries are taxable as personal income (PIT).*

- *Vulnerable individuals also file returns to qualify for income supplements from public welfare funds.*

- *Mandatory registration and annual return filing to preserve exemption and avoid penalties*

THE REVENUE COLLECTION PROCESS

Fiscal Policy agencies aim for fiscal harmony, to optimize revenue generation that meets, to the greatest extent, the funding needs of programs considered critical for economic growth and development in a given year (annual plan and budget) or over a longer time (prospective plans and budgets).

Basic information on the fiscal responsibility of the government in Nigeria

- Tax revenue is generated through taxation of individuals and companies, as well as through judicious trading in the nation's natural and produced resources.
- Spending is carried out through the budgeting process (allocation of funds to verified capital and operating expenditures). Nigeria's federal budget is the government's annual earning-and-spending plan whose function largely depends on the generated revenue.
- Decisions about what to spend, and if expected revenue is insufficient, the decision to either borrow or reduce spending are central to this fiscal process and determine the macro-economic health of the economy – such as tax and debt-GDP ratio, budget deficit percentage, etc.
- The decision above is both an administrative and political one; it therefore calls for voice and representation of all concerned citizens on how this is done or which one the government decides upon.
- The ability to generate sufficient revenue from the employment income and sales of produced goods and services of all citizens underpins this balance. Herein comes the importance of effective tax and non-tax revenue collection

Roles of Fiscal Management Agencies

- **The Budget Office** of the Federation supports budget implementation (expenditure management)as a core fiscal policy work for the federal government
- **The Ministry of Finance** oversees broader fiscal management, including setting fiscal policy and managing public finance
- **The Ministry of Budget, and National Planning** oversees broader fiscal management, such as overseeing the budget preparation process in line with the government's verified short and long-term economic planning framework.
- **The Nigerian Revenue Service (NRS)**, formerly the Federal Inland Revenue Service (FIRS), is responsible for revenue collection from internally generated sources and income for the federation.
- **The Revenue Mobilization and Fiscal Commission (RMAFC)** is the constitutional body responsible for monitoring revenue accruals and disbursement from the Federation Account.
- **The Fiscal Responsibility Commission** is expected to create or use fiscal responsibility structures to ensure fiscal transparency and accountability in public financial operations .and apply sanctions as prescribed by the law.

Replications at the sub-national level

In Nigeria, the fiscal management structure exists across all three tiers of government, so the state and local levels typically rely on corresponding finance, planning, and oversight bodies rather than a single national office. The roles of fiscal management agencies are thus mirrored by state and local finance structures that handle budgeting, revenue collection, expenditure control, and financial reporting to support accountability and service delivery.

At the state level: Ministries of finance, budget and economic planning, internal revenue services, and state fiscal responsibility bodies that monitor compliance and fiscal discipline.

At the local government level: treasury and finance units manage receipts, payments, bookkeeping, and reporting, while also supporting basic local spending and financial oversight (maintain fiscal responsibility).

The replication is mainly functional: planning, collecting revenue, authorizing spending, keeping records, and enforcing rules are all carried down from the center to states and local councils.

The Oyo State example

Oyo State relies on its finance, budget, and revenue institutions, while local councils handle fiscal management through their internal finance units under state supervision.

The closest state-level equivalent is the Ministry of Finance, which works with the Ministry of Budget and Economic Planning and the Oyo State Board of Internal Revenue to administer revenue and oversee fiscal control.

The local government equivalent body is the Finance and Treasury Office, supported by the state's oversight framework, the Local Government Service Commission, which helps manage local government administration in general but is essentially part of the lower-level governance structure. LGAs do not have a separate fiscal responsibility commission.

Persistent Challenges still trail Local Government Fiscal Autonomy in Nigeria

There have been legal challenges and battles over constitutional interpretation, implementation mechanics, and the power struggle between federal, state, and local actors. It is not about the idea of autonomy itself, but about how to enforce it under the current Constitution.

Whether the Supreme Court effectively rewrote the law rather than merely interpreting it has created divisiveness in its acceptance. With the Constitution unchanged, some states continue to influence local government funds and administration. Disputes over the legality of LGA caretaker committees persist.

Problem of enforcement. Intentional state resistance, delays by federal institutions to clear the legal confusion, and political disagreement have slowed compliance.

Who collects what?

The three tiers have constitutional power of revenue collection based on their responsibility to deliver development.

Federal government

Through the Acts of the National Assembly and the National Revenue Service, the federal government has exclusive power to collect major nationwide taxes such as company income tax, petroleum profit tax, customs and excise duties, value-added tax (VAT), most stamp duties and nearly all centrally collected oil and non-oil revenues (including most federally collectible taxes and royalties) which all go into the Federation Account, to be shared among the three tiers. Federal agencies like the Nigeria Revenue Service (NRS), Nigeria Customs Service (NCS). The Nigerian Upstream Petroleum Regulatory Commission (NUPRC) is responsible for generating the revenue and regulating the sector, while the NRS takes over the responsibility of actual collection and accounting for relevant taxes, royalties, and levies.

State governments

States have constitutional authority to collect most personal and local enterprise taxes, including personal income tax (other than for certain federal employees), capital gains tax, and stamp duties on instruments executed by individuals, as well as various fees and levies listed under the Taxes and Levies (Approved List for Collection) Act.

Local Government

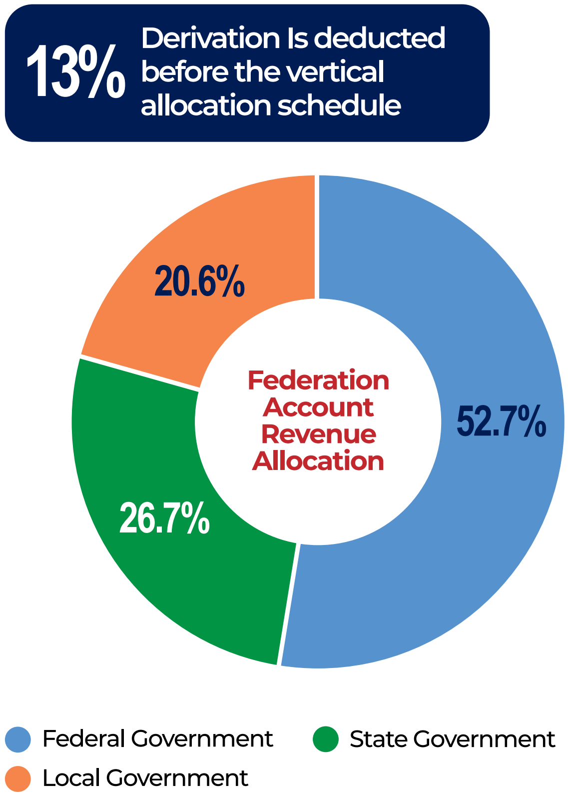
Local governments constitutionally fund and deliver grassroots services - local roads, markets, waste management, primary health centers, and primary education, with their own revenues plus transfers from the Federation Account and states. For these, they have limited but specific taxing powers over community-level taxes and levies such as tenement rates, shop and kiosk rates, motor park levies, and other minor charges listed in the Taxes and Levies (Approved List for Collection) Act.

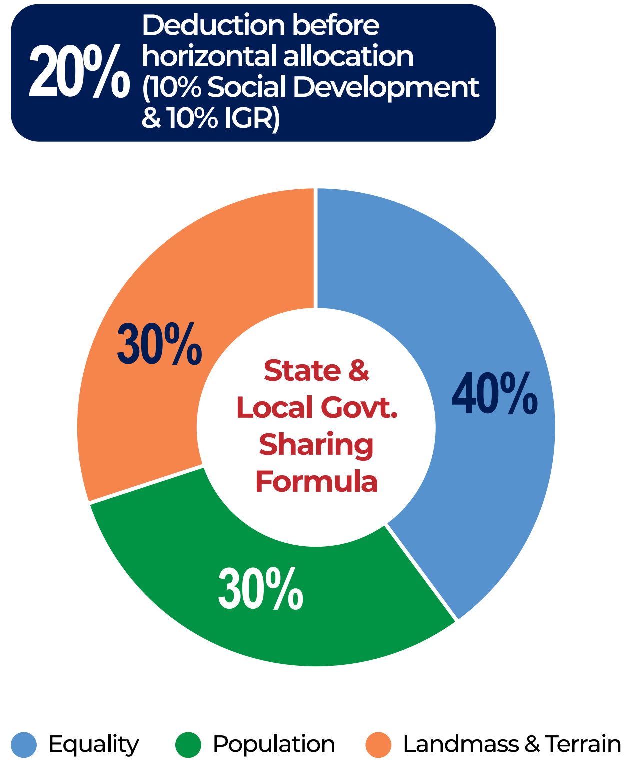
Who spend what?

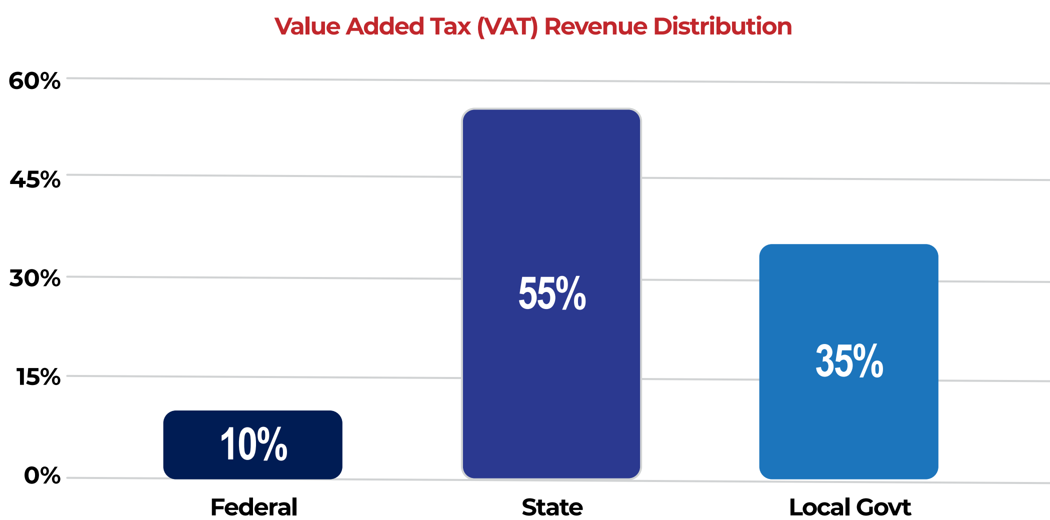
The Federation Account is the central pool where federally collected revenue is paid before it is shared among the Federal Government, State Governments, and Local Government Councils in Nigeria. It helps ensure transparent allocation of national revenue according to constitutional and legal revenue-sharing rules.

Revenue allocation (spending) to the three tiers of government follows a statutory schedule overseen by the **Revenue Mobilization Allocation and Fiscal Commission (RMAFC)** and the **Federation Account Allocation Committee (FAAC).** This runs through a vertical schedule and a horizontal formula. The allocation amounts for key periods can be tracked via the Nigerian Federal Ministry of Finance.

Vertical and Horizontal Revenue Allocation Formular







Source: Compiled by the Author from https://tinyurl.com/3bmcz23s

FOLLOW THE MONEY TO THE SPENDING TABLE

How to follow the money?

Track the movement of revenue

- From taxpayers to common revenue pools
- Sharing across federal, state, and local governments
- From shared revenues into budgets and spending at different levels

Who to Follow at the national level?

NEITI (Nigeria Extractive Industries Transparency Initiative)

Audits and discloses how much extractive-sector revenue is generated, who pays what, and what is actually remitted to the Federation Account,

RMAFC (Revenue Mobilization Allocation and Fiscal Commission)

Monitors revenues accruing to the Federation Account

Oversees their disbursement to federal, state, and local governments

Tracks inflows from revenue-generating agencies using tools (revenue-tracking software)

Both works to improve transparency in how revenues are pooled and shared across the three tiers.

Who to Follow at the sub-national Level

State Auditor-General

- They audit both state and Local Government accounts and can expose misuse, uncompleted projects, and unexplained variances.

Local Government Council and Chairperson

- They approve the LGA budget and are politically responsible for how FAAC transfers and IGR are spent.

LGA Treasury/Budget/Finance Units

- They keep the accounts, record tax and fee collections, process payments, and produce the financial statements you can audit.

Anti-corruption & oversight bodies (e.g., ICPC ACPP-LG)

- They run corruption-prevention and accountability programmes targeted at local governments. New programmes such as ICPC's Accountability and Corruption Prevention Programme for Local Governments aim to build local capacity and provide external oversight to reduce leakages and improve transparency in local revenue use.

Citizen watchdogs (e.g., BudgIT/Tracka, community groups)

- They compare allocations and projects with what exists on the ground, they crowdsource evidence, and pressure officials to account.

Parliamentary Oversight Bodies

Public Accounts Committee: Investigates misuse, waste, irregular spending, and audit queries. **Appropriations Committee:** investigates budget estimates, releases, and spending matches, and funding bills

Sectoral/standing committees: review spending within a specific ministry or agency, such as health, works, education, or defense.

UNDERSTANDING THE BUDGETING PROCESS

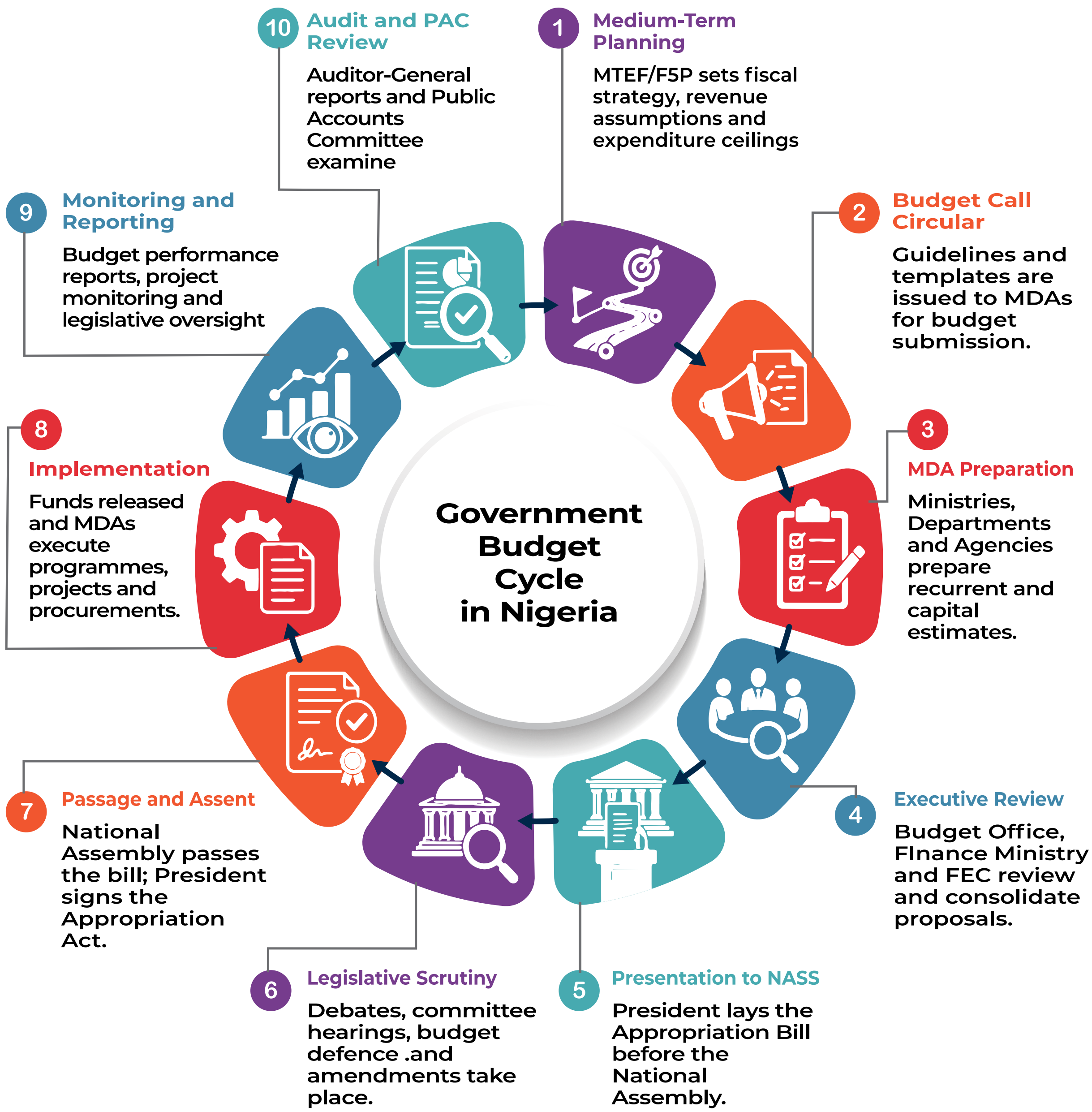
How are government budgets developed in Nigeria?

The budget preparation process goes through a streamlined process that is self-perpetuating over successive budgeting periods, making it a cycle that presents the sequential processes as a continuum. It typically runs from January 1 to December 31 but the preparation stages start from about August of the preceding year

Roles and Responsibilities are inherent across the budget cycle

- The Executive is responsible for preparing/submitting budget proposals.
- Citizens' direct role is mainly consultative rather than a formal decision-making power;
- Approval and appropriation are by the legislature.

The Budget Cycle



Statutory Processes of Budgeting by State Departments

Review of the previous year's budget

Issuance of Call Circular for preparation of Budget Estimates

Preparation of Revenue and expenditure Estimates by Ministries/ Departments and Agencies (MDAs) parastatals organizations

Receipt, Collation, Review and Consideration of Ministries requests by the Ministry of Economic Planning and Budget

Roundtable (Bilateral Discussions) between line Ministries and Central Budget Committee of the Ministry of Economic Planning and Budget

Preparation of Draft Budget by the Ministry of Economic Planning and Budget

Review, Consideration and Approval of Draft Budget by the State Treasury Board – A Cabinet committee

Review, Consideration and Approval of draft Budget by the State Executive Council Presentation of draft Budget as Appropriation Bill to the Legislature for consideration and passage by His Excellency, the Governor

Approval/Enactment as Appropriation Law by the House of Assembly

Assent of the Governor to the Appropriation Law

Budget Analysis by the Ministry of Economic Planning and Budget

Issuance of Appropriation Warrant- Ministry of Finance (MOF) Implementation, Monitoring, and Evaluation –by the Ministry of Economic Planning and Budget (MEPB)

Source: Akanji Bola, 2005: CSO Training on Budgeting in Nigeria. Centre for Democracy and Development

These processes are replicated through the three tiers of government.

CITIZEN'S PARTICIPATION

Who can participate in the Budgeting Process?

Every Nigerian citizen has limited but important constitutionally supported rights to participate in and influence the public budgeting process. The strongest exact constitutional language is about control of public funds and legislative authorization, especially in Sections 80 and 81 **(see Appendix 1)**. The statutes that most directly support participation are the Fiscal Responsibility Act and the Freedom of Information Act, which make transparency, disclosure, and informed public oversight possible.

Where are the participatory spaces within the process?

Activities at each stage of the cycle are spread over the budget period, and clear participatory activities are highlighted.

The question is, who brings these opportunities and timelines to the attention of citizens?

Committee Scrutiny and Passage

* Question constituency projects and sector allocations.
* Compare proposed and approved budgets.
* Ask legislators to explain major changes before passage.

National Assembly Hearing

* Attend Public Hearings or follow them online.
* Submit short memoranda on priority sectors.
* Ask Committees to publish how Public input was used.

Executive Review

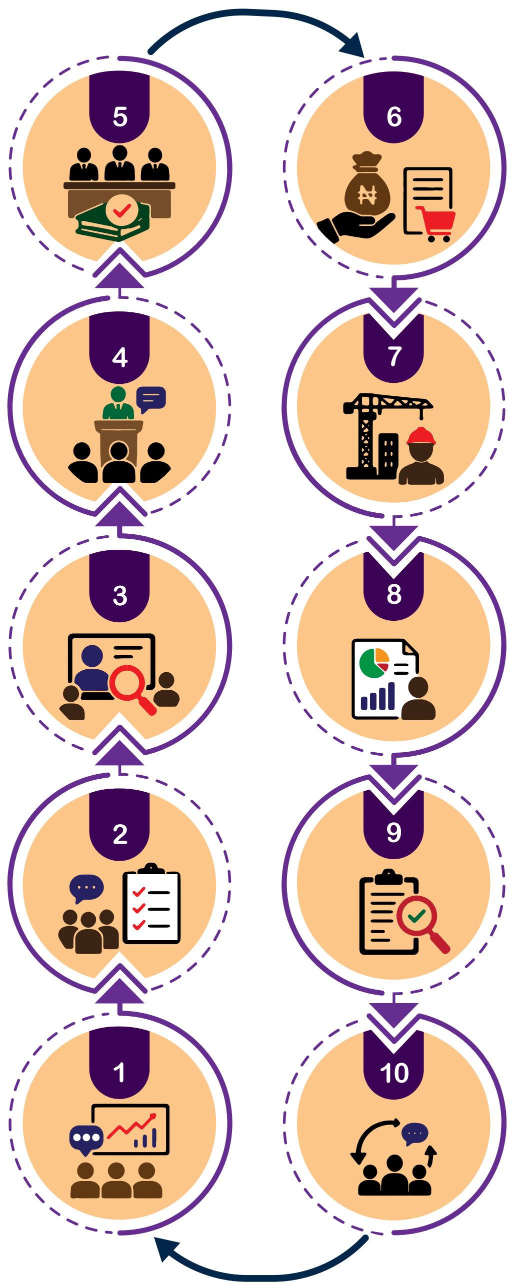
* Engage Ministry Officials before proposals are locked.
* Send priority lists to elected representatives and MDAs.
* Ask whether past projects were completed before new ones are added.

Needs Assessment and MDA Preparation

* Use town halls, associations and CSOs to document needs
* Prepare a Community Charter of Demand
* Include women, youth disability and rural priorities

Medium-Term Planning

* Attend MTEF and sector strategy consultation
* Submit local priorities and evidence on service gaps
* Ask how revenue assumptions affect social spending



Budget Release and Procurement

* Check whether funds are released for promised projects.
* Watch procurement notices and contractor activity.
* Report abandoned duplicated or poorly executed projects.

Project Monitoring

* Visit project sites and take dated photos.
* Use platforms such as Tracks or Eyemark where available.
* Share feedback with MDAs, Legislators, CSOs and Media.

Performance Reporting

* Read quarterly and annual budget implementation reports.
* Compare budgeted amounts, releases and work on ground.
* Use FOI requests when documents are missing.

Audit Review

* Follow Auditor-General reports.
* Track Public Accounts Committee hearings.
* Demand action on missed or unretired funds.

Feedback to next Cycle

* Bring audit and project evidence back to consultations.
* Task for unfinished projects to be completed before new promises.
* Push for better allocations next year.

ISSUES IN THE BUDGETING PROCESS IN NIGERIA

These revolve around the effectiveness of participation

- The enforcement of disclosure laws
- The capacity of civil society, media freedom
- The willingness of officials to hold meaningful consultations

The responsibility for participation: Lies with government agencies (MDAs), who will prepare the budget to invite stakeholders to provide information, as well as call for feedback at every stage

The Space for stakeholder participation: Government processes are designed to run administratively. This ignores or resist interruption to the flow. Hence citizen's involvement is least on the priority

Government budgets in Nigeria are characterized by many negative traits

Low civic education on the budget document

The Challenge: Budget documents are often dense, opaque, and presented in complex accounting formats, leaving ordinary citizens disconnected from how public funds work.

The PB Solution: Institutionalized Citizen Education Cycles. PB breaks down the annual budget cycle into accessible, neighborhood-level phases. Before any voting occurs, local governments host deliberative forums where budget experts and civil society organizations translate financial spreadsheets into "plain-language" infographics and localized data. By participating in real-world trade-offs (e.g., choosing between fixing a road or building a clinic), citizens gain immediate, practical financial literacy that abstract civic education campaigns cannot match.

Policy discontinuity:

The Challenge: Incoming administrations frequently abandon uncompleted projects initiated by their predecessors to launch their own initiatives, wasting trillions in public funds.

The PB Solution: Community Project Ownership and Multi-Year Commitment Protection. Unlike partisan political agendas, community needs do not change with election cycles. Because PB projects originate from the collective will of the neighborhood rather than a specific politician's brand, the community maintains active stewardship over them.

A new administration faces massive resistance if it attempts to defund an ongoing project that a vocal, organized voting bloc actively voted for and continues to monitor.

Political Insertions and Weak Oversight

The Challenge: Lawmakers regularly insert unvetted "constituency projects" into the final appropriations bill during review sessions, while oversight remains weak due to a lack of independent monitoring.

The PB Solution: Citizen-Led Co-Oversight Committees. PB processes appoint independent, community-elected "Budget Delegates" who follow projects from conception to completion. Because the list of approved PB projects is highly publicized at the grassroots level, any unauthorized legislative additions or attempts to divert funds become immediately obvious. The continuous presence of citizen monitors provides an active, auxiliary oversight mechanism that complements—and pressures—formal legislative bodies.

Low transparency and accountability.

The Challenge: Deep-seated skepticism exists because citizens rarely see their tax contributions translate into visible, localized benefits, leading to apathy.

The PB Solution: The Direct Accountability Loop. Trust is rebuilt through tangible outcomes. In a PB framework, the link between a citizen's vote and a concrete project (like a neighborhood solar streetlighting installation) is direct and visible. When communities watch an idea they co-created and voted for turn into a physical asset within a designated fiscal year, the trust deficit shrinks. It transforms the budget from an abstract political promise into a binding social contract.

Political interference and domination by ruling parties:

The Challenge: Executive or godfather-linked interests frequently hijack project selections to reward political cronies, funneling resources to areas that serve electoral interests rather than public need.

The PB Solution: Binding Legal Ring-Fencing. A core tenet of authentic PB is that the citizen vote is final and legally binding. When a municipality passes a PB law, a specific percentage of the capital budget is legally ring-fenced. Because the final project rankings are generated transparently by public vote and recorded openly, politicians cannot unilaterally delete, alter, or swap a citizen-selected project for a politically motivated alternative without causing public outcry and violating statutory processes.

Limited funding and administrative capacity

The Challenge: Local governments often lack the digital infrastructure, trained personnel, or structured platforms necessary to manage, aggregate, and implement widespread citizen input.

The PB Solution: Standardized Operational Toolkits & Hybrid Frameworks. PB provides local administrative structures with a plug-and-play operational framework. By adopting tested, open-source PB software (like Decidim) paired with physical, community-led assemblies, subnational governments do not need to reinvent the wheel. Furthermore, PB builds subnational capacity by embedding civil society organizations (CSOs) into the process to co-facilitate assemblies, effectively outsourcing the logistical burden of mobilization and engagement from understaffed local councils to the community.

Inequality in representation:

The Challenge: Traditional public hearings are typically dominated by political elites, contractors, and vocal special interest groups, effectively shutting out marginalized demographics, women, youths, and people living with disabilities.

The PB Solution: Demographic Quotas and Hyper-Local Deliberation. PB bypasses elite capture by decentralizing assemblies down to the smallest administrative units (such as electoral wards or specific interest-group assemblies). To ensure equity, robust PB frameworks implement targeted voting rules, such as reserving a specific percentage of the PB fund exclusively for projects designed by and voted on by marginalized groups, ensuring their voices carry binding financial weight rather than just advisory presence.

Low transparency and accountability.

The Challenge: Funds are routinely diverted through inflated contract values, ghost projects, or unapproved spending, hidden behind a lack of transaction-level transparency.

The PB Solution: Open-Data Milestone Tracking. PB relies heavily on radical transparency. When projects are chosen by the community, the exact allocated amount, project specifications, and contractor details are published on open-access community boards or digital portals. Because the end-users (the community) are waiting for the project, any unexplained delay, sub-standard material choice, or unauthorized cash diversion triggers immediate local whistleblower pushback, closing the window for corruption.

Exercise: Which do you consider the three gravest challenges that should be addressed?

a. Low awareness of rights
b. Poor knowledge of the process
c. Mistrust of the process and actors
d. Institutional weaknesses,
e. Wasteful appropriation (extra-budgetary spending)
f. Political stranglehold
g. Inequality in participation

Your answer: 1 .... 2...................... 3.......................

(This can be used to prioritize budgetary actions in a given population)

Your right to be involved in the revenue allocation process (budgeting) is granted by the Constitution.

Constitutional Provision on People's Participation in the Budgetary Process

Though the constitution does not say specifically that members of the public should participate in the budgetary process, certain provisions provide an ambit under which one can argue effectively for people's participation in the process. The relevant provisions are as highlighted Section 80 and 81**: (See Appendix 1)**

- Section 14: Government and the people: *Section 14 (2) (c) "the participation of the people in their government shall be ensured with the provisions of this constitution"*
- Rights of People to Livelihood *Section 16 (b) "the state shall harness the resources of the nation in such manner as to secure the maximum welfare, freedom and happiness of every citizen on the basis of social justice and equality of status and opportunity".*

Participation means:

- Availing yourself of all relevant information on the revenue collection and the related budgetary allocation (spending)
- Join or support individuals and groups who wish to seek more information, petition a process, a budgetary detail, and get involved in a general analysis of period budgets.
- Share whatever concerning information you obtain with like-minded people
- Attend town hall or group meetings, aiming to get involved in the process
- Be aware of the arbitration agencies closest to you with respect to taxes and budgets
- Make use of publicly available information about the budgeting process.

Participatory Development (PD) is the bedrock of Participatory Budgeting

- Advocates of PD propose reversing the order of knowledge by "putting the last first," focusing on knowledge gaps as the center of knowledge production.
- The concept motivated the World Bank publication on "Voices of the Poor," amplifying the voices of women, identifying them among the poorest and most vulnerable (Narayan, 2000).
- PD process puts the people, especially the less visible, at the center of development.
- PD entails working together with all arms of governance – the government, the legislature, and the judiciary.

"Your participation is your voice and your action that ensures that development serves your felt needs."

Exercise for CSOs: Assess your experience, Check your box and restrategize your participation level. Are you really participating?

People's Participation in Development: Myth or Reality

Types of Participation	Involvement of Local People
Collective action	Local people set their own agenda and mobilize to carry it out, without outside initiation and facilitators
Delegated power	Local people hold a clear majority of seats on committees with delegated power to make decisions
Control but accompaniment	Local people are asked to identify the problem and make all key decisions on goals and means. Government provides support to community.
Partnership	Sharing of knowledge, planning and decision-making responsibilities between local people and government.
Cooperation	People work together with outsiders (consultants or government) to determine priorities, but responsibility remains with outsiders for directing process
Advice	Government presents a plan and invites questions. Government is prepared to make some modifications to its plan.
Consultation	Government asks for the opinions of local people, and then it analyses, decides on course of action and controls inputs.
Informing	Tasks are assigned to local people, but governments decide the agenda, directs the process, and there is no formal channel for feedback
Co-option	Token representatives of local people are chosen, but they have no real input or power
Manipulation	'Participation' is used as a form of public relations

Source: Adapted from Gibbon (2000).

What is Participatory Budgeting (PB)?

Participatory budgeting is an innovative policy-making tool that directly involves citizens in the allocation of government funds. Governments ask citizens to help them define which (social and economic) domains, problems, or opportunities should receive a share of the city budget." Citizenslab, 2021

Positives of PB

PB gives disadvantaged populations a voice and promotes the interests of marginalized sections of society.

PB encourages governments to fulfill their responsibilities to the people who elected them by promoting a more democratic and transparent administration of resources.

PB can help in curbing corruption and the mishandling of public funds.

PB encourages public investment towards society's most pressing needs for the benefit of the greatest number of people.

PB has been described as "one tool, multiple purposes" because it delivers more than budgets; it builds political capital which is a valuable resource that gives the big push on many serious issues regarding citizenship (Para-Mallam, 2019).

PB – Risk and Mitigation

PB carries the risk of increasing pressure on budgetary resources if public demand outstrips available funds.

PB can fuel budget deficits if not carefully managed by curbing populist responses.

Participation in priority-setting is a key component of successful PB, with an eye on the resource basket rather than just on the need.

Successful examples of participatory budgeting from selected developing countries

Zimbabwe: From Participatory Budgeting to Gender Budgeting: http://ijecm. co.uk/wp-content/uploads/2016/08/4822.pdf (see Lunga, 2016).

Benin (Adjarra municipality): With GIZ and World Bank support, communities, with 40–50% women's participation were able to prioritized funds for health posts, water, sanitation, and rural roads, with money transferred directly into community accounts.

South Africa (multiple municipalities): Public participation in cities like Mangaung, Ekurhuleni and Cape Town, ward-based engagement helped to shift municipal budgets toward local economic development. The success has expanded citizen participation to tens of thousands of residents.

Kenya (county governments): Since around 2015, counties such as Elgeyo-Marakwet and Nakuru have implemented PB under devolution reforms, using village forums and voting to select local public-goods projects. Gains in citizen engagement and transparency have been reported.

Zimbabwe: Rural district councils like Mangwe have adopted PB to involve residents in setting spending priorities, leading to the development of a context-specific PB model for rural African local governments.

PB experiences in Nigeria

Some state-level and donor-supported initiatives have used PB-like mechanisms in community fora to prioritize projects, ward-level planning, or performance-based funds tied to local participation. These experiences remain as scattered, project-based experiments rather than consolidated, statewide PB systems backed by legislation

An example in Lagos state. https://researchspace.ukzn.ac.za/items/c37f16e1-2e25-4e76-8387-05c985b62db4.

Participatory budgeting was introduced with democratic and empowerment goals, but the process was fragile and got suspended when officials deemed other financial demands more urgent. The absence of a strong legal framework made the process easy to interrupt. Rather than sustained citizen power, the process was undermined by political interference, ruling-party dominance, limited administrative capacity, and weak legal backing. The PB experience was vulnerable to short-term priorities; it lacked durability, binding force, and the scale needed for deeper transformation.

Exercise: Why has PB not been feasible in most African countries?

The Concern: *Participation sometimes exists, but it does not consistently control money, survive political change, or reshape planning in a lasting way.*

Even where participatory budgeting exists on paper, it can still fail to produce genuine citizen power

Points to Ponder

- *Traction has not been gained because of the absence of executive and legislative push to create a firm legal framework that is justiciable by the citizens.*
- *Nigeria's participation problem is less about the absence of formal channels and more about failure to entrench the processes via consistent follow-through.*
- *Ordinary citizens are not blocked by a single law; they are blocked by a combination of awareness gaps, weak institutions, and political control.*

KNOWN PILOTS OF PARTICIPATORY BUDGETING: THE CASE OF GENDER RESPONSIVE BUDGETING

Several models of participatory budgeting include pro-poor budgets, grassroots budgets, women's budgets. None has gained traction more than Gender Responsive Budgets

Gender Responsive Budgeting (GRB),
GRB has survived through five decades[1] and has evolved into proven processes and methodologies and has garnered political pressure from multilateral institutions, regional and national governments and citizen's groups and scholars. The known model is directly applicable to other marginalized interest groups – the youth, the elderly, the disabled, the informal sector workers, rural dwellers, care-givers, and more.

<u>**GRB promotes Social Inclusion and Equity**</u>

- The potential to link higher revenue and budget transparency to greater gender equality (SDG-5) promotes the achievement of a host of other SDGs[2].
- Greater revenue allocation to the critical health, education, and social welfare programs that benefit low-income women and their households results from GRB exercises.
- Greater revenue allocation for reducing gender barriers to gender-equitable economic participation has improved women's contribution to development, the benefits often translating to greater political voice and gender transformative changes.

GRB still faces numerous challenges in countries of the global south

Gender Responsive Budgeting (GRB): Challenges to Traction in Developing Countries

A recent publication (Akanji and Soetan, 2026), shows that budgets remain opaque to most low-income women and other informal-sector workers due to limited knowledge of the budgeting process in general and of participatory spaces in the government PFM process. The book confirms that gender-blind budgets in Nigeria and other African countries continue to produce high population inequalities, based not just on gender but also across that sectoral planning frameworks undermine and consistently allocate the lowest budgetary allocation decimate the goal of gender equality; that budgets aimed at gender equality rarely deploy evidence (data) to justify their efficient allocation, rather political leverages often appear as the basis of allocation; gender gap analysis shows that and whereas women have gained limited power across the leadership of public agencies, including economic planning agencies, they have gained greater leadership presence in the private sector – implying Proven capacity of women leaders is more effective than token selection that are politically induced. The book recommends an urgent need for more participatory budgeting across the board, deploying the methods and tools of already developed for GRB worldwide.

1. The first known example of GRB occurred in Australia in 1984.
2. UNWomen Dashboard identifies 80 targets of the 17 SDGs that are directly promoted by gender equality (ref)

What is GRB?

Gender budgets, gender-sensitive budgets, gender-responsive budgets or women's budgets, refer to a variety of processes and tools, which attempt to assess the impact of government budgets on different groups of men and women, through gender analyses that recognize the ways in which gender relations underpin society and the economy. It is a tool of analysis in which the government budget is disaggregated and the effect of expenditure and revenue policies is comparatively analyzed Gender Budget Initiatives (GBI). It naturally lead to budget reforms that are more gender-equitable or that yield socially inclusive outcomes

What GRB is Not: Some Misunderstanding Clarified

Gender Responsive Budgets (GRBs) are not separate budgets for women. They evolve from a series of gender budget initiatives that review previous budgetary allocation patterns and their outcomes on women and men may involve:

i. An analysis of gender targeted allocations (e.g., special programs targeting women or men);

ii. Disaggregation of the impact of mainstream expenditures across all sectors and services by gender;

iii. Review of equal opportunities policies and allocations within government services, to assess their inclusiveness or otherwise;

iv. Design of proposals for a more equitable budgetary process bearing from the current gaps.

These are all steps towards proposing more equitable allocations that make subsequent budgets to be more gender responsive.

What questions does GRB ask?

A gender-responsive budget asks simple questions:

Are women's needs and interests identified and being addressed in revenue allocation, like those of men?

Are there gender gaps in the identification of programs and allocation of resources that would negate equity principles, such that one group is disadvantaged in favor of another?

Does the budget demonstrate recognition of the different needs, privileges, rights, and obligations that women and men have in society?

Does it fundamentally recognize the differential contributions of men and women in the production of goods, services, and human labor in mobilizing resources and thus in distributing resources?

GRB is therefore seen as a model that can be adapted by different groups and used in promoting their participation in the budgeting process.

Integrative Steps in GRB

The term GRB is preceded by several essential actions within the Gender Budget Initiative **(GBI)**. Which is a holistic program consisting of Gender Budget Analysis **(GBA)**, Gender Budget Statements **(GBS)**, Gender/Women's proposed focused programs emanating from the GBS, with pointers to the most pressing areas of needs based on (gender gaps), to justify inclusion in the resource allocation process, all these ultimately leading to a more Gender Responsive Budget **(GRB)**.

Tools of Gender Budget Analysis

1. Gender-Aware Policy Appraisal
This tool analyzes the assumptions underlying policies and resource allocations to see if they will increase or decrease gender inequalities. Instead of assuming a policy is "gender-neutral," it explicitly asks: How will this policy impact men and women differently given their current socio-economic realities?

2. Gender-Aware Beneficiary Assessment
This is a participatory, bottom-up tool used to gather feedback directly from citizens. It measures how well public services or expenditures meet the specific needs of different genders. Through surveys, focus groups, or interviews, it assesses whether women and men are equally accessing and benefiting from a public program (e.g., agricultural extensions or healthcare centers).

3. Gender-Aware Public Expenditure Incidence Analysis
This quantitative tool measures how public spending is distributed among men and women. It calculates the net public subsidy received by different demographic groups by analyzing the user rates of a service (like public universities or clinics) and multiplying it by the unit cost of providing that service.

4. Gender-Aware Public Revenue Incidence Analysis
While the previous tool looks at spending, this tool looks at the taxation side. It examines how direct and indirect taxes (like income tax or VAT) affect women and men differently. For instance, because women often spend a higher percentage of their income on basic household goods, high VAT rates on essential items can place a disproportionate financial burden on them.

5. Gender-Aware Budget Statement
This is an accountability tool produced by the government (usually the Ministry of Finance) alongside the annual budget. It summarizes the overall implications of the budget for gender equality. It explicitly highlights gender-specific expenditures, promotes transparency, and sets clear, measurable targets for reducing demographic disparities in the upcoming fiscal year.

Source: The Commonwealth Secretariat, 1986

The Budgeting process is political!

Equitable gender representation at the budget table is key.

Ensure the participation of (knowledgeable) women in sufficient numbers and official ranks.

Evidence provided from Gender Budget Studies (GBS) are required as justification

Gender advocacy and lobbying necessary to raise support at the highest decision making levels.

Gender budgets must be weighed against the entire resource basket and other pressing needs; hence, prioritization of needs is critical.

"One proven bite at a time". The scope should be realistic and focused to address the immediate needs rather than aim to take on too much. Create pilots that can justify expansion.

USE OF SYSTEMATIC DATA IN PROMOTING PARTICIPATORY BUDGETING: THE CASE OF GRB

Gender Statistics can help to signal budgetary allocation for closing gender gaps

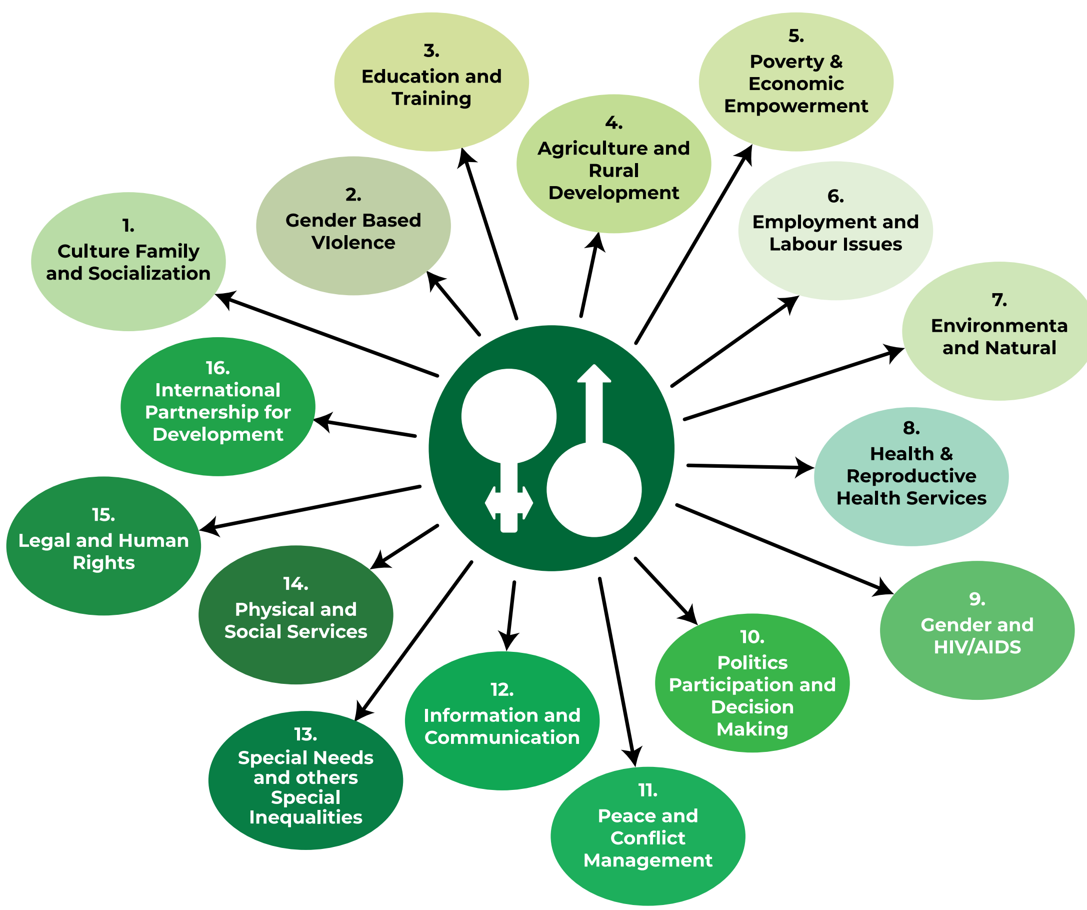
Gender analysis of selected indicators using sex-disaggregated data provides evidence of undesirable gender gaps, that is, unintended gender differentials in development outcomes of previous budgets within particular populations. Such analyses uses available statistical data supported by credible qualitative information where quantitative data is unavailable.

A Gender Statistics Framework (GSF) is essential for identifying the critical gender indicators to investigate.

The GSF should be based on the development policy framework adopted in the country's national gender policy, such as the Beijing Platforms for Action (BPA, 1995) and more recently Sustainable Development Goals (SDGs).

A useful metric of the gender gaps is the Gender Parity Index (GPI) which compares the status of women with that of men for each indicator. Expressed (as a ratio or percentage point. This runs from 0 to 1 or 0% to 100%, where 1 or 100% is perfect parity, and vice versa

Nigeria adopted the BPA framework for its first National Gender Policy (2006) modified into Sixteen Pillars of Action to account for additional country-specific development challenges. An updated framework of gender statistics now exists based on the SDGs. However comprehensive data is yet to be made available for most of them



Source: National Gender Policy Operational Framework, 2006, p 110.

A Gender-Gap Analysis for Nigeria (2000 to 2020): Speaking to Data

As an example, a study by Akanji, Jerumeh, and Soetan (Chapter 3 in Akanji and Soetan) covering selected indicators on all sixteen pillars shows how gender gaps across different development spaces can signal where best to allocate funds for promoting gender equality or reducing gender gaps.

The study estimated GPI across all the sixteen Pillars of Action where gender statistics was available. It is notable that five of the 16 pillars have to data to assess gender gaps.

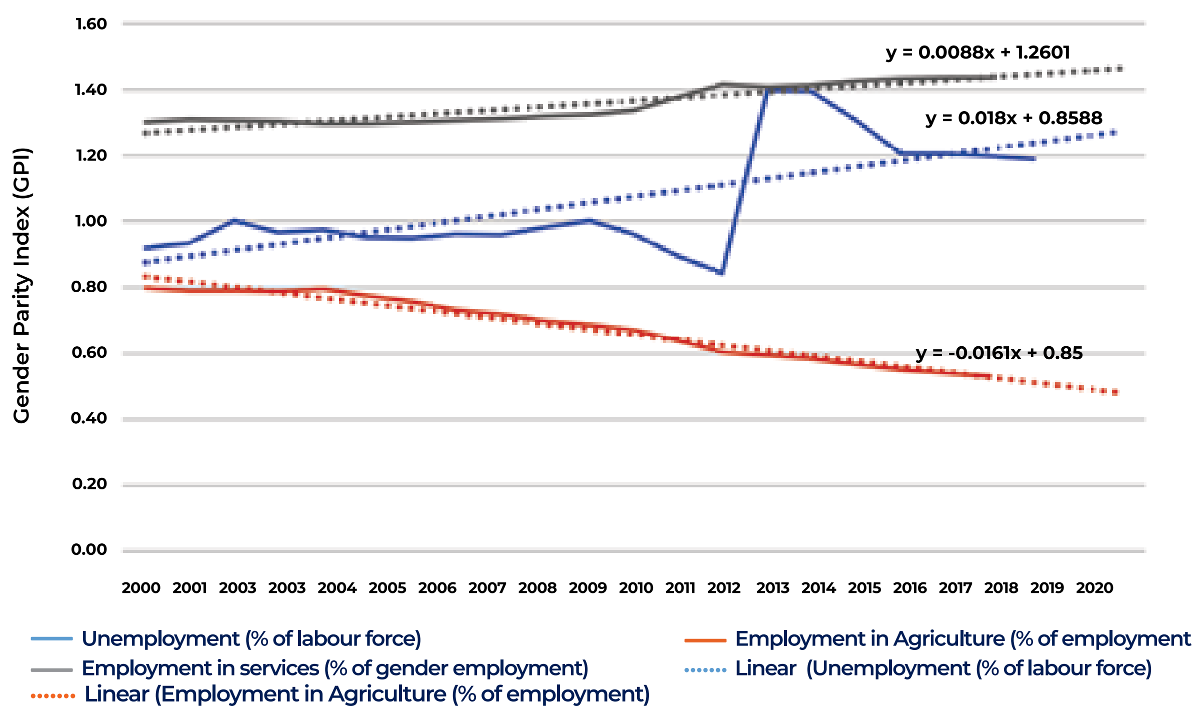
The findings indicate where gender gaps (measured by the GPI) thereby were declining or worsening, thereby providing pointers for GRB action.

The GRB pointers prioritize where gender gaps are greatest, most persistent and where the impacts are likely to be most significant and cross-cutting.

A value-for-money approach also indicates where additional naira allocated would yield multiple or interlocking effects.

An example of how Gender-Gap Analysis produces GRB pointers is shown below.

Trends in GPI in Nigeria's Labour Force Participation (LFP) (2000 to 2020)



A Gender Budget Statement and Implications for GRB Action

The vidence shows that Female LFP in primary agriculture has been declining while female LFP in services has been rising. Yet female unemployment is also on the rise meaning that women losing jobs in primary agriculture are entering growing niches in agricultural value chains. Insufficient technological capacity and skills however keep a large percentage unemployed or underemployed. This statement is supported by the growth rate estimation which shows that the rate of change of unemployment at 2.09% per year, is higher than the rate of female entry into the services sector (0.7% per annum).

GRB action advocates to increase budgets that improve technology use in agricultural value chains to enhance productivity and scale, providing greater employment opportunities for women exiting primary agriculture.

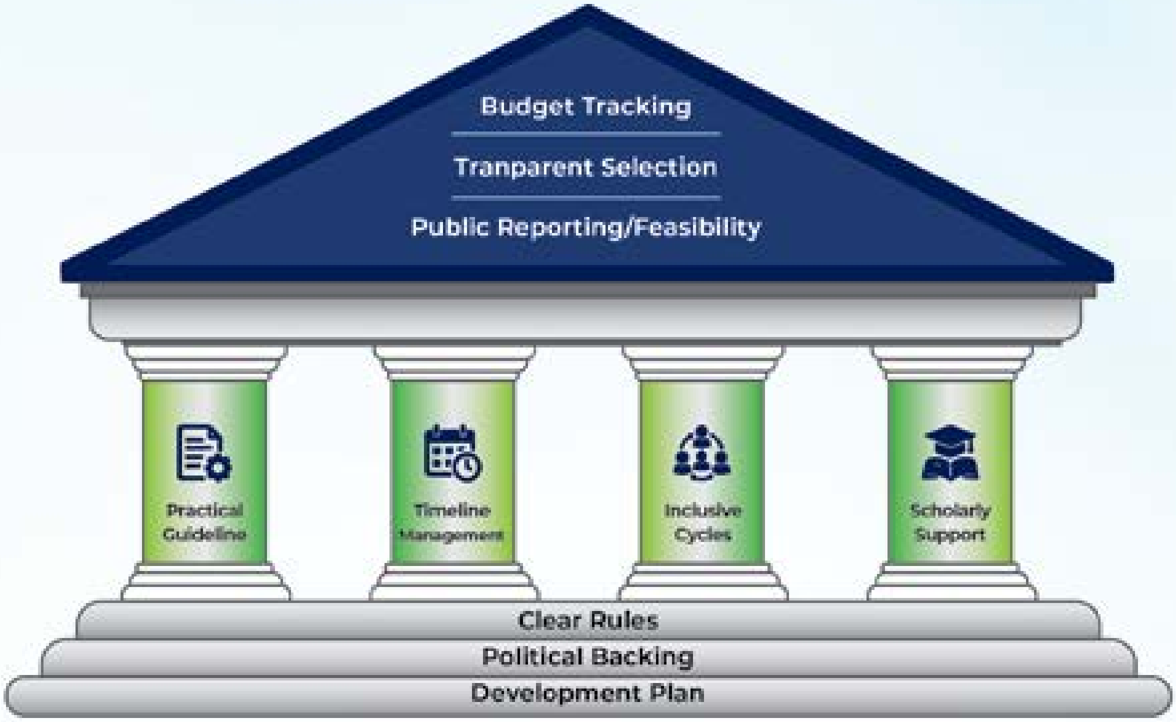
Achieving Participatory Budgeting is an intentional process.

The same principles enshrined in GRB are applicable to other groups that feel unheard or marginalized in claiming the benefits of development.

The analysis of gaps in critical development indicators for different interest groups can be carried out to provide Pointers for more people-centered and more equitable budgets.

From Participatory Budgeting to Public Value: The Outcome

FINAL WORDS: KEY STEPS TOWARDS PROGRESS IN PARTICIPATORY BUDGETING



To promote national and sub-national traction around laws, institutions, process design, and information that support PB:

1. Secure political and legal backing.
2. Define clear rules and benchmarks for the budget envelope.
3. Explicitly link PB to the development plan and MTSS; PB is not a parallel process.
4. Build a PB architecture: Have a practical guideline for what is to be achieved and how to achieve it – a result-based framework.
5. Timeline is Key: Align the consultation timeline with the formal budget calendar
6. Run an inclusive cycle of outreach, proposal development, and project selection.
7. Scholarly support is key for training, research, and database development
8. Transparent Selection processes (in-person and digital) as evidence of project selection
9. Follow up through the budget cycle with justification at each stage.
10. Publicly report on successful cases. Integrate winning PB projects into the budget estimates. A successful pilot is always the best way to prove feasibility.

Participatory Budgeting can address the development concerns of all citizens who follow the money to the spending table

EVERYONE CAN FOLLOW THE MONEY!!

APPENDICES

Appendix 1:

Constitutional Provisions on Citizens' rights of participation in the PFM

Section 14: Objectives and Directive Principles of State Policy (sets governance principles regarding accountability and transparency).

Section 80: Establishment of Consolidated Revenue Fund (defines what monies form the Consolidated Revenue Fund

Section 81: Authorization of expenditure from Consolidated Revenue Fund (requires estimates and appropriation).

Section 82: authorization of expenditure in default of appropriations (rules on temporary spending if appropriations are delayed).

Sections 83–84 (and 123–124 for states): Contingencies Fund, related rules on temporary funds and authorization.

Sections 85–86: Audit of public accounts and Appointment of the Auditor-General for the Federation (establishes auditing role and responsibilities).

Sections 87–89: Tenure and powers relating to the Auditor-General and National Assembly investigatory/evidence powers (including power to investigate public funds and summon witnesses).

Sections 120–129 (Part 2, states): Equivalent state-level provisions (Consolidated Revenue Fund, appropriation, contingencies, audit and state Assembly powers).

Fifth Schedule, Part I: Code of Conduct for Public Officers (obligations including asset declaration and restrictions). The Fifth Schedule contains the full text of the Code.

Sections 150–162: Sections establishing revenue-sharing and fiscal institutions and set out revenue allocation and institutional arrangements. Chapter IV: sets fundamental rights and freedoms that support transparency.

Freedom of Information Act 2011: (Statute, not in the Constitution) sets out the operational details on access to official information.

Appendix 2:
What is Public Value?

Public value is the multidimensional worth created by public funds, measured not only in financial terms but in outcomes, legitimacy, equity, trust, civic capacity, rights protection, and long-term public goods.

Outcomes and impacts: the real improvements in people's lives and social conditions that public action achieves (health, safety, education, infrastructure).

Trust and legitimacy: public confidence that institutions act fairly, lawfully, and in the public interest, which sustains consent and cooperation.

Service quality and inclusiveness: whether services meet users' needs, are accessible to all groups, and respect dignity.

Equity and justice: distributional effects - who benefits and who bears costs (fairness across populations).

Democratic goods and civic capacity: strengthened participation, information flows, accountability, and citizens' ability to shape collective decisions.

Institutional resilience and public goods: preserving systems and commons (rule of law, stable money, public education, environmental commons) that enable long-term prosperity.

Efficiency and stewardship: prudent use of resources so benefits are delivered without waste, but efficiency is only one dimension alongside normative ends.

Public Value Asks 4 questions

Who benefits, and who is harmed? (distributional justice)

Does the action improve concrete public outcomes that citizens care about? (effectiveness)

Does it strengthen trust, accountability, and citizen voice? (legitimacy)

Is it sustainable and respectful of public goods and institutions? (stewardship)

About the Book

Africa's problems are not unknown; rather Africans must learn to unlearn past undesirable traits and relearn those traits that really move their development forward; traits, tools and skills that are in line with contemporary, globally competitive, homegrown, socially and culturally adaptable, inclusive, and sustainable. This often entails the empowerment of the citizens with knowledge to demand the changes called for.

This handbook aims to enlighten them on how to demand accountability for the way revenue from taxpayers is spent. It is a little treatise on the main features of the new Nigerian tax policy and why it is a key rationale for participatory budgeting to derive public value from the policy. Its simplified and graphic style demystifies an otherwise complex subject of public financial management. Ordinary citizens can gain some understanding of the policy and how they can exercise their constitutional rights to influence how tax revenue is spent, which in turn would ensure that government expenditure better meets their felt needs.

About GTEEP

Gilead Trust Economic Empowerment Projects (GTEEP) contributes to achieving the above through policy research, evidence-informed policy engagement, citizen enlightenment and empowerment, especially of the unheard or the marginalized. This is always done in partnership with national/local organizations for full local ownership of actionable policy recommendations.

The Fireside policy chat on Participatory Budgeting that motivated this handbook has been facilitated through our partnership with the DAWN Commission, Nigerian Institute of Social and Economic Research (NISER), African Leadership Foundation, (ALF), Civil Society Legislative Advocacy Center ((CISLAC), BudgIT Foundation and Center for Enterprise Development and Action Research (CEDAR). All partners are gratefully acknowledged .

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