

COMPARATIVE STUDY OF FISCAL RESPONSIBILITY LEGISLATION AND ENFORCEMENT FRAMEWORKS

Lessons for Fiscal Governance Reform in Nigeria

Sampled Countries for Comparative Policy and Legal Review

New Zealand | Australia | Brazil | India | Kenya | Nigeria

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EXECUTIVE SUMMARY

This study compares the fiscal responsibility legislation and institutional arrangements of New Zealand, Australia, Brazil, India, Kenya, and Nigeria. It evaluates the extent to which each framework promotes fiscal discipline, transparency, accountability, debt sustainability, and effective public financial management. The study uses a structured legal and institutional comparison based on eight indicators: legal coverage, clarity of fiscal rules, transparency requirements, escape clauses, correction mechanisms, institutional independence, sanctions and enforcement, and observed compliance.

The comparative review shows that no single model guarantees fiscal sustainability. New Zealand and Australia rely principally on transparent fiscal strategy, extensive reporting, parliamentary scrutiny, and political accountability. Brazil combines detailed numerical and procedural rules with restrictions and sanctions that apply across federal, state, and municipal governments. India and Kenya use hybrid systems that combine fiscal targets, medium-term planning, and legislative reporting. Nigeria also operates a hybrid framework, but incomplete reporting, limited direct sanctions, institutional fragmentation, and inconsistent political commitment weaken implementation.

New Zealand pioneered modern fiscal responsibility legislation through the Fiscal Responsibility Act 1994. The substantive principles and reporting duties were

later incorporated into Part 2 of the Public Finance Act 1989. The framework emphasizes prudent debt, fiscal balance over a reasonable period, management of fiscal risks, predictability of tax rates, and transparent explanation of departures from the statutory principles. Its effectiveness depends less on punitive sanctions than on credible institutions and strong public accountability.

Australia's Charter of Budget Honesty Act 1998 establishes principles of sound fiscal management and requires fiscal strategy statements, budgets, mid-year economic and fiscal outlooks, intergenerational reports, and pre-election fiscal reporting. The framework does not impose a permanent statutory debt or deficit ceiling. It instead promotes discipline through transparency, professional institutions, parliamentary oversight, and public scrutiny.

Brazil's Complementary Law No. 101 of 2000, commonly known as the Fiscal Responsibility Law, is one of the most comprehensive rules-and-sanctions frameworks. It regulates personnel expenditure, debt, borrowing, guarantees, transparency, and fiscal reporting across all levels of government. Brazil's 2023 sustainable fiscal regime, introduced by Complementary Law No. 200, supplements the 2000 law through a new expenditure and primary-balance framework linked to debt sustainability.

India's Fiscal Responsibility and Budget Management Act 2003 seeks to promote intergenerational equity, macroeconomic stability, and prudent debt management through medium-term fiscal statements, deficit and debt targets, transparency

requirements, and escape clauses. Kenya's Constitution 2010 and Public Finance Management Act 2012 provide a national and county framework that links budgeting, fiscal responsibility principles, debt management, reporting, and parliamentary oversight.

Nigeria's Fiscal Responsibility Act 2007 established the Fiscal Responsibility Commission. It introduced the Medium-Term Expenditure Framework, annual budget requirements, deficit controls, borrowing conditions, debt-sustainability principles, transparency obligations, and operating-surplus remittances by scheduled government corporations. The Commission possesses statutory monitoring, investigative, information-compelling, and enforcement functions. Its central weakness is not the total absence of legal authority, but the lack of direct prosecutorial powers, a comprehensive administrative penalty regime, predictable funding, and consistently effective inter-agency follow-through.

The study recommends a targeted amendment of the Fiscal Responsibility Act; stronger compliance notices and administrative penalties; clearer fiscal and debt rules with escape clauses and correction plans; improved access to financial data; publication of annual MDA and state compliance indices; stronger parliamentary budget analysis; transparent disclosure of contingent liabilities and fiscal risks; and a phased institutional architecture that separates compliance enforcement, independent fiscal forecasting, legislative costing and external audit.

PRIORITY FINDINGS

- **Formal legal sanctions and institutional effectiveness should be assessed independently.** While Brazil possesses the most comprehensive statutory sanctions for fiscal non-compliance, New Zealand demonstrates the highest level of practical effectiveness through a strong culture of transparency, robust parliamentary oversight, and political accountability rather than reliance on punitive enforcement.
- **Nigeria's Fiscal Responsibility Act provides important statutory powers, but enforcement remains constrained.** The effectiveness of the Fiscal Responsibility Commission is limited by its reliance on other institutions for investigation, prosecution, and the imposition of sanctions, reducing the timeliness and certainty of enforcement.
- **Credible fiscal rules require clearly defined flexibility mechanisms.** Effective fiscal responsibility frameworks incorporate well-defined escape clauses for exceptional circumstances, accompanied by mandatory public disclosure, transparent justification, and time-bound fiscal correction plans to prevent temporary deviations from undermining long-term fiscal discipline.

- **Strengthening fiscal coordination across all levels of government is essential.** Given Nigeria's federal structure, effective fiscal governance requires stronger coordination between the Federal Government, State Governments, Local Governments, and Government-Owned Enterprises to manage public debt, fiscal risks, arrears, and other financial obligations in a coherent and sustainable manner.
- **Fiscal transparency should extend beyond the annual budget and public debt.** Comprehensive fiscal reporting should include government guarantees, contingent liabilities, public-private partnerships, tax expenditures, Government-Owned Enterprises, quasi-fiscal activities, and other fiscal risks to provide policymakers and citizens with a complete and accurate picture of the country's fiscal position.

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LIST OF ACRONYMS

Acronym	Meaning
ANAO	Australian National Audit Office
BPS	Budget Policy Statement
CAG	Comptroller and Auditor General (India)
CBN	Central Bank of Nigeria
CFSP	County Fiscal Strategy Paper
COVID-19	Coronavirus Disease 2019
CRF	Consolidated Revenue Fund
DMO	Debt Management Office
EFCC	Economic and Financial Crimes Commission
FRC	Fiscal Responsibility Commission
FRA	Fiscal Responsibility Act
FRBM	Fiscal Responsibility and Budget Management
FRL	Fiscal Responsibility Legislation
FSP	Fiscal Strategy Paper
FIRS	Federal Inland Revenue Service
GDP	Gross Domestic Product
GIFMIS	Government Integrated Financial Management Information System
GOE	Government-Owned Enterprise
ICPC	Independent Corrupt Practices and Other Related Offenses Commission
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund

IPPIS	Integrated Personnel and Payroll Information System
LRF	<i>Lei de Responsabilidade Fiscal</i> (Brazil's Fiscal Responsibility Law)
MDA	Ministry, Department, and Agency
MTEF	Medium-Term Expenditure Framework
MYEFO	Mid-Year Economic and Fiscal Outlook
NEEDS	National Economic Empowerment and Development Strategy
NESG	Nigeria Economic Summit Group
OAGF	Office of the Accountant-General of the Federation
OECD	Organisation for Economic Co-operation and Development
PEFA	Public Expenditure and Financial Accountability
PEFO	Pre-Election Economic and Fiscal Outlook
PFM	Public Financial Management
PBO	Parliamentary Budget Office
PPP	Public-Private Partnership
SOE	State-Owned Enterprise
TCU	Tribunal de Contas da União (Federal Court of Accounts, Brazil)
TSA	Treasury Single Account
VAT	Value Added Tax

GLOSSARY OF TERMS

Term	Definition
Administrative Sanctions	Non-criminal penalties imposed by regulatory or administrative authorities for violations of fiscal laws or regulations, including fines, suspension of powers, or disciplinary measures.
Balanced Budget	A budget in which total government revenues are equal to or exceed total government expenditures during a fiscal year.
Budget Deficit	The amount by which government expenditure exceeds government revenue within a fiscal year, excluding financing activities.
Budget Transparency	The timely publication of complete, reliable, and accessible information on government budgets, fiscal performance, and public finances to facilitate public scrutiny and accountability.
Contingent Liability	A potential financial obligation that may arise depending on the outcome of a future event, such as government guarantees, legal claims, or public-private partnership obligations.
Correction Mechanism	A statutory process requiring the government to restore compliance with fiscal rules after deviations occur, usually through adjustment plans, expenditure controls, or corrective fiscal measures.
Debt Sustainability	The ability of a government to meet its current and future debt obligations without requiring exceptional financing, debt restructuring, or compromising economic growth and fiscal stability.
Escape Clause	A legal provision allowing temporary departure from fiscal rules during exceptional circumstances such as economic crises, natural disasters, wars, or public health emergencies.
Expenditure Ceiling	A statutory or policy limit on the maximum level of government expenditure during a specified fiscal period.
Fiscal Accountability	The obligation of government institutions and public officials is to account for the management of public resources and to justify fiscal decisions and outcomes.
Fiscal Adjustment	Policy measures adopted to reduce fiscal deficits or stabilize public debt through expenditure restraint, revenue enhancement, or structural reforms.

Fiscal Discipline	The prudent management of public finances is essential to ensure sustainable government spending, borrowing, and debt while maintaining macroeconomic stability.
Fiscal Federalism	The constitutional and institutional allocation of taxing, spending, and borrowing responsibilities among different levels of government within a federal system.
Fiscal Governance	The legal, institutional, and policy framework through which governments formulate, implement, monitor, and report fiscal policy and public financial management.
Fiscal Policy	Government decisions regarding taxation, expenditure, borrowing, and debt management are aimed at achieving economic and social objectives.
Fiscal Responsibility	The government's commitment is to manage public finances prudently through sustainable budgeting, transparent reporting, responsible borrowing, and accountability.
Fiscal Responsibility Legislation	Laws establishing fiscal rules, reporting obligations, institutional responsibilities, and accountability mechanisms designed to promote prudent public financial management.
Fiscal Risk	Any factor that could significantly affect government revenues, expenditures, borrowing requirements, or debt sustainability, including macroeconomic shocks, guarantees, and contingent liabilities.
Fiscal Rules	Permanent or long-term legal or policy constraints governing fiscal aggregates such as budget deficits, debt, expenditure, or borrowing.
Government-Owned Enterprise (GOE)	A corporation or statutory body in which the government holds a controlling ownership interest and which is subject to applicable public financial management and fiscal responsibility requirements.
Intergenerational Equity	The principle that current fiscal decisions should not impose unreasonable financial burdens on future generations through excessive borrowing or unsustainable public debt.
Macroeconomic Stability	A condition characterized by sustainable economic growth, low inflation, stable public finances, manageable debt, and a predictable economic environment.
Medium-Term Expenditure Framework (MTEF)	A multi-year fiscal planning framework that links government policies, expenditure priorities, and available resources over a medium-term planning horizon, usually three years.

Operating Surplus	The excess of an eligible government-owned enterprise's operating revenue over operating expenditure after statutory adjustments, which may be required to be remitted to the Consolidated Revenue Fund under applicable law.
Parliamentary Oversight	The scrutiny exercised by a legislature over government fiscal policy, budgeting, expenditure, borrowing, and financial reporting through debates, committees, and statutory reporting requirements.
Primary Balance	The difference between government revenue and expenditure excluding interest payments on public debt. It is commonly used to assess underlying fiscal performance.
Public Debt	The total outstanding financial obligations of a government arising from domestic and external borrowing.
Public Financial Management (PFM)	The legal, institutional, and administrative systems governing the planning, collection, allocation, expenditure, accounting, reporting, and audit of public resources.
Public-Private Partnership (PPP)	A long-term contractual arrangement between a public authority and a private entity for financing, constructing, or operating public infrastructure or services while sharing risks and responsibilities.
Scheduled Corporation	A government-owned enterprise or public corporation listed under applicable legislation as being subject to specific fiscal responsibility obligations, including the remittance of operating surplus where required.
State-Owned Enterprise (SOE)	A commercial enterprise that is wholly or majority owned by the government. In this report, the term is used only where it reflects international practice; otherwise, Government-Owned Enterprise (GOE) is preferred.
Statutory Reporting	Financial and fiscal reports that public institutions are legally required to prepare and submit under applicable legislation.
Sustainable Fiscal Policy	Fiscal policy that maintains government finances at levels consistent with long-term economic stability, debt sustainability, and continued delivery of public services.
Transparency	The openness of government in providing timely, accurate, comprehensive, and accessible information regarding public financial management and fiscal performance.

CHAPTER ONE

Introduction and Evolution of Fiscal Responsibility Legislation

1.1 Background

Fiscal responsibility legislation (FRL) emerged globally as a response to recurring fiscal imbalances, excessive public debt, macroeconomic instability, weak budgetary institutions, and inadequate accountability in the management of public finances. Before the widespread adoption of fiscal rules, many governments relied heavily on discretionary fiscal policies, which often resulted in persistent budget deficits, unsustainable borrowing, inflationary pressures, and economic instability. These challenges underscore the need for legal and institutional frameworks that promote fiscal discipline, enhance transparency, strengthen public financial management, and safeguard long-term macroeconomic stability. Consequently, fiscal responsibility legislation has become an important component of modern fiscal governance and public sector financial management reforms (International Monetary Fund [IMF], 2018).

The concept of fiscal responsibility is rooted in the broader evolution of public financial management and constitutional control over public expenditure. From the seventeenth century onwards, many democratic systems progressively strengthened parliamentary oversight of taxation, borrowing, and government

expenditure. However, modern fiscal responsibility legislation developed primarily during the late twentieth century, following fiscal crises in both developed and developing economies. The debt crises of the 1980s, rising public deficits, and episodes of macroeconomic instability prompted governments and international financial institutions, particularly the International Monetary Fund (IMF), the World Bank, and the Organisation for Economic Co-operation and Development (OECD), to advocate the adoption of fiscal rules, medium-term expenditure frameworks, and enhanced fiscal transparency as mechanisms for restoring fiscal sustainability (IMF, 2007; OECD, 2015).

Fiscal responsibility legislation generally seeks to establish clear rules governing public finance by constraining excessive fiscal discretion while allowing sufficient flexibility to respond to economic shocks. Most modern frameworks are designed to enhance the credibility of fiscal policy by promoting transparent budget preparation, medium-term fiscal planning, regular publication of fiscal information, prudent debt management, and effective legislative oversight. They also seek to ensure intergenerational equity by preventing current governments from transferring excessive fiscal burdens to future generations through unsustainable borrowing and persistent fiscal deficits (OECD, 2015; IMF, 2018).

The emergence of fiscal responsibility legislation accelerated during the 1990s and early 2000s as countries increasingly recognized that sound macroeconomic management required legally enforceable fiscal institutions rather than relying solely on political commitments. One of the earliest and most influential modern models was New Zealand's **Fiscal Responsibility Act 1994**, which introduced a principles-based approach centered on transparency, prudent debt management, comprehensive fiscal reporting, and long-term fiscal sustainability. Rather than prescribing rigid numerical fiscal targets, the legislation required governments to explain how their fiscal policies were consistent with established principles of responsible fiscal management. The Act has since been incorporated into New Zealand's **Public Finance Act 1989**, where its core principles continue to guide fiscal policy (New Zealand Treasury, 2025).

At the regional level, the **Treaty on European Union (Maastricht Treaty)** established one of the most influential supranational fiscal frameworks by introducing fiscal convergence criteria for member states. The Maastricht criteria required annual government budget deficits not to exceed **3 percent of Gross Domestic Product (GDP)** and gross public debt not to exceed **60 percent of GDP**, except under specified circumstances. These numerical reference values later became central pillars of the European Union's Stability

and Growth Pact and significantly influenced fiscal rule design in many jurisdictions worldwide (European Commission, 2024).

Brazil further strengthened the global evolution of fiscal responsibility legislation by enacting **Complementary Law No. 101 of 2000**, popularly known as the Fiscal Responsibility Law (Lei de Responsabilidade Fiscal). Widely regarded as one of the most comprehensive fiscal responsibility frameworks internationally, the law introduced legally binding limits on public borrowing, personnel expenditure, indebtedness, and fiscal deficits across federal, state, and municipal governments. It also established strict transparency obligations, mandatory fiscal reporting, and administrative, civil, and criminal sanctions for certain fiscal violations, thereby demonstrating how robust legal enforcement mechanisms can significantly improve fiscal compliance (Government of Brazil, 2000; IMF, 2018).

India similarly adopted the **Fiscal Responsibility and Budget Management (FRBM) Act 2003** to reduce fiscal deficits, improve debt sustainability, and institutionalize medium-term fiscal planning. The legislation established fiscal deficit targets, debt management objectives, and mandatory reporting to Parliament while providing carefully defined escape clauses to accommodate exceptional economic circumstances such as war, national emergencies, or severe economic downturns. Although the implementation of the FRBM

framework has been periodically adjusted in response to macroeconomic shocks, the framework has substantially strengthened fiscal policy credibility and transparency within India's public financial management system (Government of India, 2003).

Across Africa, fiscal responsibility principles increasingly became integrated into constitutional reforms, public finance management legislation, and medium-term expenditure frameworks during the 2000s. Countries such as Kenya adopted comprehensive public financial management legislation that combines constitutional fiscal principles with statutory rules governing budgeting, debt management, fiscal reporting, and accountability. Kenya's **Public Finance Management Act 2012**, supported by the Constitution of Kenya (2010), provides an integrated framework for promoting prudent public financial management, sustainable debt management, fiscal transparency, and strengthened parliamentary oversight at both national and county government levels (Government of Kenya, 2012).

The global experience demonstrates that while fiscal responsibility legislation differs considerably in legal design, institutional arrangements, and enforcement mechanisms, successful frameworks share several common characteristics. These include medium-term fiscal planning, transparent budget processes, comprehensive fiscal reporting, prudent debt management, clearly

defined fiscal rules, effective legislative oversight, and credible enforcement institutions. International evidence further suggests that the effectiveness of fiscal responsibility legislation depends less on the existence of legal rules themselves than on the strength of supporting institutions, political commitment, transparency, and consistent enforcement (IMF, 2018; OECD, 2015).

These international developments provided important lessons for Nigeria as it sought to strengthen macroeconomic stability, improve public financial management, and institutionalize fiscal discipline following decades of fiscal volatility, weak budgetary coordination, and rising public indebtedness. The enactment of the **Fiscal Responsibility Act, 2007**, represented Nigeria's effort to align its fiscal governance framework with emerging international best practices while adapting these principles to its federal constitutional structure and developmental priorities.

1.2 Evolution of Fiscal Responsibility Legislation

Fiscal Responsibility Legislation (FRL) emerged during the late twentieth century as governments sought to address persistent fiscal deficits, rising public debt, and declining confidence in public financial management. Traditional approaches to fiscal policy, which relied largely on political

discretion, often resulted in unsustainable borrowing, pro-cyclical expenditure, and weak fiscal discipline. In response, many countries began adopting statutory fiscal rules designed to promote prudent budget management, transparency, accountability, and long-term macroeconomic stability.

Figure 1.1: Timeline of Global Fiscal Responsibility Legislation

Year	Country / Institution	Milestone
1994	New Zealand	The Fiscal Responsibility Act was enacted, establishing principles-based fiscal management.
1997	European Union	The Stability and Growth Pact was adopted to strengthen fiscal discipline among member states.
1998	Australia	Charter of Budget Honesty Act enacted.
2000	Brazil	Fiscal Responsibility Law (Complementary Law No. 101) was enacted.
2003	India	The Fiscal Responsibility and Budget Management (FRBM) Act was enacted.
2007	Nigeria	Fiscal Responsibility Act enacted.
2008	Global	Global Financial Crisis prompts review of fiscal rules and escape clauses.
2012	Kenya	The Public Finance Management Act was enacted under the 2010 Constitution.
2014	IMF	Revised Fiscal Transparency Code issued.
2015	United Nations	Sustainable Development Goals reinforce accountable public finance.
2023	Brazil	New Fiscal Framework (Complementary Law No. 200) replaces the expenditure ceiling.

Figure 1.1. Timeline showing major developments in fiscal responsibility legislation and international fiscal governance reforms relevant to this study.

New Zealand pioneered this movement with the enactment of the **Fiscal Responsibility Act 1994**, which introduced principles-based fiscal management and strengthened government accountability through regular fiscal reporting and medium-term fiscal planning. The success of New Zealand's reforms encouraged other countries, including Australia, Brazil,

India, Kenya, and Nigeria, to adopt similar legislative frameworks tailored to their constitutional, economic, and institutional contexts. These reforms reflected a global shift towards rules-based fiscal governance aimed at improving policy credibility and reducing fiscal risks.

The evolution of fiscal responsibility legislation has continued to be influenced by international developments and lessons from economic crises. The **1997 European Union Stability and Growth Pact** reinforced fiscal discipline among member states, while the **2008 Global Financial Crisis** exposed weaknesses in existing fiscal frameworks and prompted many governments to strengthen fiscal rules, improve fiscal risk disclosure, and introduce well-defined escape clauses for exceptional circumstances. International organizations, particularly the **International Monetary Fund (IMF)**, the **Organization for Economic Co-operation and Development (OECD)**, and the **World Bank**, have since developed internationally recognized standards that promote transparency, debt sustainability, performance-based budgeting, and sound public financial management. Nigeria joined this global reform movement through the enactment of the **Fiscal Responsibility Act 2007**, which sought to institutionalise fiscal discipline and improve accountability in the management of public finances. As illustrated in **Figure 1.2**, the progressive adoption of fiscal responsibility legislation demonstrates the

growing international recognition that sustainable public finance depends not only on prudent economic policies but also on robust legal and institutional frameworks that promote transparency, accountability, and effective fiscal governance.

1.3 Statement of the Problem

Despite the enactment of the **Fiscal Responsibility Act (FRA) of 2007**, Nigeria continues to face significant fiscal governance challenges that have limited the effectiveness of the country's fiscal responsibility framework. The Act was enacted to institutionalise prudent management of public resources, promote long-term macroeconomic stability, strengthen fiscal transparency and accountability, improve coordination of fiscal policy across all tiers of government, and ensure sustainable public debt management within a medium-term fiscal framework (Fiscal Responsibility Act, 2007). It also established the Fiscal Responsibility Commission (FRC) to monitor and enforce compliance with the Act's provisions and to promote adherence to the fiscal objectives set out in Section 16 of the Constitution of the Federal Republic of Nigeria.

Nearly two decades after its enactment, however, persistent structural and institutional challenges continue to undermine the effective implementation of the Act. Nigeria has experienced recurring fiscal deficits, rising public debt, increasing debt-service obligations, weak domestic revenue mobilisation, and continued dependence on volatile oil revenues. In recent years, debt-service costs have consumed a substantial proportion of federally retained revenues, significantly reducing the fiscal space available for capital investment and the delivery of essential public services (Debt Management Office [DMO], 2024; International Monetary Fund [IMF], 2024).

Equally concerning is the inconsistent compliance with key provisions of the Fiscal Responsibility Act by many Ministries, Departments, and Agencies (MDAs), Government-Owned Enterprises (GOEs), and other public institutions. Several MDAs have failed to submit statutory budget implementation reports, audited financial statements, medium-term expenditure estimates, and other mandatory fiscal reports within the timelines prescribed by the Act. Similarly, many Government-Owned Enterprises have either delayed or failed to remit their prescribed operating surpluses into the Consolidated Revenue Fund as required under Section 22 of the Fiscal Responsibility Act, thereby weakening fiscal transparency, reducing government revenues, and undermining public

accountability (Fiscal Responsibility Act, 2007; Fiscal Responsibility Commission, 2023).

Although the Fiscal Responsibility Commission possesses statutory powers to monitor compliance, investigate violations, compel the disclosure of fiscal information, and promote adherence to fiscal responsibility principles, its effectiveness has been constrained by several institutional limitations. These include limited prosecutorial authority, inadequate enforcement powers, funding and capacity constraints, dependence on executive cooperation, and the absence of a comprehensive administrative sanctions regime for non-compliance. Consequently, many instances of fiscal infractions attract limited practical consequences, thereby weakening the deterrent effect of the legislation and reducing incentives for full compliance by public institutions (Fiscal Responsibility Act, 2007; IMF, 2018).

Furthermore, the implementation of the Fiscal Responsibility Act has been affected by broader governance and institutional challenges, including political interference, frequent supplementary appropriations, weak legislative oversight, poor inter-agency coordination, delays in fiscal reporting, inadequate public disclosure of fiscal risks, weaknesses in public financial management systems, and uneven compliance among the states of the Federation. These challenges have collectively diminished the Act's ability to achieve its intended

objectives of promoting fiscal discipline, macroeconomic stability, prudent debt management, and sustainable public finance (World Bank, 2022; Nigeria Economic Summit Group [NESG], 2023).

International experience demonstrates that the mere existence of fiscal responsibility legislation does not guarantee sound fiscal outcomes. Countries such as New Zealand, Australia, Brazil, India, and Kenya have adopted different legal and institutional approaches to fiscal governance, reflecting variations in constitutional arrangements, political systems, and administrative capacity. Nevertheless, successful fiscal responsibility frameworks consistently exhibit certain common characteristics, including clearly defined fiscal rules, credible medium-term fiscal planning, transparent reporting systems, independent oversight institutions, effective parliamentary scrutiny, and robust compliance and enforcement mechanisms (Organization for Economic Co-operation and Development [OECD], 2015; IMF, 2018).

Against this background, a comparative assessment of Nigeria's Fiscal Responsibility Act with comparable fiscal responsibility frameworks in selected jurisdictions is both timely and necessary. Such an assessment provides an opportunity to identify international best practices, evaluate the strengths and weaknesses of Nigeria's current fiscal governance architecture, and develop evidence-based recommendations for strengthening the legal, institutional, and

operational framework governing fiscal responsibility. The comparative analysis will also contribute to ongoing policy discussions on improving fiscal discipline, enhancing debt sustainability, strengthening public financial management, and ensuring the effective implementation of the Fiscal Responsibility Act in Nigeria.

1.3 Objectives of the Study

The broad objective of this study is to undertake a comparative assessment of fiscal responsibility legislation and institutional frameworks in New Zealand, Australia, Brazil, India, Kenya, and Nigeria, with a view to identifying legal, institutional, and operational reforms that could strengthen fiscal discipline, transparency, accountability, and sustainable public financial management in Nigeria.

The specific objectives of the study are to:

- 1. Examine the historical evolution, policy rationale, and principal features of fiscal responsibility legislation in the selected countries.**

This includes an assessment of the economic, political, and institutional circumstances that influenced the adoption of fiscal responsibility legislation in each jurisdiction, as well as the principal objectives, scope, and underlying philosophy of the respective legal frameworks.

2. Analyse and compare the fiscal rules established under the selected countries' legal frameworks.

The study will examine the nature and design of applicable deficit, debt, expenditure, borrowing, balanced-budget, personnel-cost, and other fiscal rules. It will also assess whether the rules are principles-based or numerical, permanent or temporary, and whether they contain clearly defined escape clauses and correction mechanisms.

3. Compare the transparency, reporting, and public-disclosure requirements applicable in the selected jurisdictions.

This objective focuses on requirements for medium-term fiscal strategies, budget policy statements, macroeconomic forecasts, fiscal risk reports, debt reports, long-term fiscal projections, budget implementation reports, audited financial statements, and explanations for deviations from stated fiscal objectives.

4. Evaluate the institutional structures supporting the implementation of fiscal responsibility legislation.

The study will examine the roles of ministries of finance, legislatures, audit institutions, fiscal councils, parliamentary budget offices, debt-management institutions, central banks, courts, and specialised fiscal responsibility bodies in monitoring and promoting compliance with fiscal rules.

5. Assess the enforcement and accountability arrangements

established under the selected fiscal responsibility frameworks.

Particular attention will be given to the availability and effectiveness of political, administrative, civil, financial, and criminal sanctions; institutional responsibility for initiating enforcement action; personal accountability of public officials; and the practical consequences of non-compliance.

6. Assess Nigeria's compliance and enforcement experience under the Fiscal Responsibility Act, 2007.

The study will evaluate compliance by Ministries, Departments, and Agencies and Government-Owned Enterprises with statutory obligations relating to medium-term fiscal planning, budget implementation reporting, borrowing, debt sustainability, fiscal transparency, and the calculation and remittance of operating surpluses.

7. Examine the Fiscal Responsibility Commission's legal and institutional capacity to monitor and enforce compliance.

This will include an assessment of the Commission's statutory powers, operational independence, funding, technical capacity, access to fiscal information, relationships with other oversight institutions, and ability to secure effective sanctions or corrective action in cases of non-compliance.

8. Identify the principal legal, political, administrative, and structural factors affecting the implementation of fiscal responsibility legislation in Nigeria.

These factors include weak enforcement mechanisms, political interference, inadequate sanctions, poor coordination among oversight institutions, capacity constraints, deficiencies in fiscal data and reporting, oil-revenue volatility, rising debt-service obligations, and uneven compliance across the Federation.

9. Identify international practices that are relevant and transferable to Nigeria's constitutional, institutional, and fiscal context.

The study will distinguish between practices that can be adopted directly and those that require adaptation to Nigeria's federal structure, public financial management system, political environment, and institutional capacity.

10. Propose practical legal, institutional, and operational reforms for strengthening Nigeria's fiscal responsibility framework.

The recommendations will address possible amendments to the Fiscal Responsibility Act, improvements in enforcement and sanctioning arrangements, stronger legislative oversight, enhanced institutional coordination, public financial management digitalisation, independent

fiscal analysis, improved public disclosure, and more effective monitoring of federal and subnational fiscal performance.

11. Develop an implementation framework for the proposed reforms.

The study will prioritize recommendations based on their urgency, feasibility, institutional responsibility, resource implications, and appropriate short-, medium-, and long-term implementation periods.

1.4 Research Questions

This study seeks to answer the following research questions:

1. What historical, economic, and institutional factors influenced the evolution and development of fiscal responsibility legislation in New Zealand, Australia, Brazil, India, Kenya, and Nigeria?
2. How do the selected countries define, conceptualize, and operationalize fiscal responsibility within their respective constitutional, legal, and public financial management frameworks?
3. What are the principal features of the fiscal responsibility legislation in each of the selected countries with respect to fiscal objectives, institutional arrangements, and implementation mechanisms?
4. What types of fiscal rules are established under the selected legal frameworks, including rules governing fiscal deficits, public debt,

borrowing, expenditure, balanced budgets, personnel expenditure, and medium-term fiscal planning?

5. What transparency, fiscal reporting, public disclosure, and accountability requirements are prescribed under the fiscal responsibility legislation of the selected jurisdictions?
6. What institutional arrangements and oversight mechanisms support the implementation and enforcement of fiscal responsibility legislation in the selected countries?
7. What enforcement mechanisms, sanctions, escape clauses, and corrective measures are provided under the respective fiscal responsibility frameworks, and how effective have they been in promoting compliance?
8. To what extent has Nigeria complied with the provisions of the Fiscal Responsibility Act, 2007, particularly in relation to fiscal planning, debt management, fiscal reporting, budget implementation, and the remittance of operating surpluses by Government-Owned Enterprises?
9. What legal, institutional, political, administrative, and operational factors account for the relatively weaker implementation and enforcement of Nigeria's Fiscal Responsibility Act compared with the selected comparator countries?

10. Which international best practices and institutional innovations adopted by the selected countries are transferable to Nigeria's federal constitutional framework, public financial management system, and fiscal governance environment?
11. What legal, institutional, and operational reforms are required to strengthen the implementation, monitoring, enforcement, and overall effectiveness of the Fiscal Responsibility Act, 2007, and improve fiscal discipline, transparency, accountability, and sustainable public financial management in Nigeria?

1.5 Scope and Methodology

This study adopts a **doctrinal legal research design**, combined with **comparative policy analysis**, to examine fiscal responsibility legislation and institutional frameworks in New Zealand, Australia, Brazil, India, Kenya, and Nigeria. The doctrinal approach involves a systematic analysis of the legal provisions governing fiscal responsibility in the selected jurisdictions. In contrast, the comparative policy approach facilitates an evaluation of similarities, differences, implementation experiences, and lessons that may be adapted to strengthen Nigeria's fiscal governance framework. Doctrinal research is particularly appropriate for examining statutes, constitutional provisions, judicial interpretations, regulations, and institutional mandates that

govern fiscal responsibility and public financial management (Hutchinson & Duncan, 2012).

The study relies primarily on **qualitative documentary analysis** of both primary and secondary sources. Primary sources include constitutions, fiscal responsibility legislation, public finance management laws, budget transparency laws, regulations, official policy documents, parliamentary reports, annual reports of fiscal institutions, debt management frameworks, and other government publications. Secondary sources comprise publications of the International Monetary Fund (IMF), the World Bank, the Organization for Economic Co-operation and Development (OECD), academic journals, books, working papers, policy reports, and relevant publications by international development institutions and fiscal policy organizations.

A comparative analytical framework is employed to assess the selected jurisdictions using **eight common evaluation indicators**, thereby ensuring consistency, objectivity, and comparability across the different legal systems. The indicators are:

1. **Legal Coverage** – the scope of application of the legislation, including whether it applies only to the central government or extends to

sub-national governments, government-owned enterprises, statutory bodies, and other public institutions.

2. **Clarity of Fiscal Rules** – the existence and design of fiscal rules

governing budget deficits, public debt, borrowing, expenditure, balanced budgets, personnel expenditure, fiscal sustainability, and medium-term fiscal planning.

3. **Transparency and Reporting Requirements** – statutory obligations

relating to fiscal strategy statements, budget documentation, macroeconomic assumptions, fiscal-risk reports, debt reports, budget implementation reports, audited financial statements, and public disclosure of fiscal information.

4. **Escape Clauses** – the legal provisions permitting temporary departures

from fiscal rules under exceptional circumstances such as economic recessions, natural disasters, public health emergencies, war, or national security threats, together with the conditions governing their application.

5. **Correction Mechanisms** – procedures requiring governments to explain

deviations from fiscal targets, adopt fiscal adjustment measures, restore compliance, and report corrective actions to the legislature or the public.

6. **Institutional Independence** – the legal autonomy, operational

independence, governance arrangements, funding, technical capacity, and oversight responsibilities of institutions responsible for monitoring

fiscal responsibility, including fiscal councils, fiscal responsibility commissions, parliamentary budget offices, supreme audit institutions, ministries of finance, and debt management agencies.

7. **Enforcement and Sanctions** – the availability and effectiveness of political, administrative, civil, financial, and criminal sanctions, together with the legal powers of oversight institutions to investigate violations, compel compliance, and initiate enforcement actions.
8. **Observed Compliance** – the practical implementation of fiscal responsibility legislation as reflected in compliance with statutory reporting requirements, fiscal rules, debt management obligations, budget transparency standards, and independent assessments of fiscal performance.

Recognising that the existence of legal provisions does not necessarily translate into effective implementation, the study distinguishes between **formal legal enforceability** and **practical institutional effectiveness**. Formal legal enforceability refers to the statutory powers, sanctions, legal obligations, and enforcement mechanisms expressly provided in legislation. Practical institutional effectiveness, on the other hand, assesses the extent to which these legal provisions are implemented in practice, taking into account institutional capacity, political commitment, administrative effectiveness,

transparency, legislative oversight, judicial support, and the actual compliance behaviour of public institutions. This distinction enables a more nuanced assessment of fiscal responsibility frameworks by recognising that countries with relatively limited statutory sanctions may nevertheless achieve high levels of fiscal discipline through strong institutions, political accountability, and established governance norms, while jurisdictions with comprehensive legal provisions may experience weaker outcomes due to deficiencies in implementation and enforcement (IMF, 2018; OECD, 2015).

The comparative analysis is descriptive, analytical, and policy-oriented. It does not seek to rank jurisdictions by overall fiscal performance but rather to identify legal and institutional practices that have contributed to effective fiscal governance and to assess their relevance to Nigeria's constitutional structure, fiscal federalism, public financial management architecture, and development priorities. The findings are subsequently used to formulate practical recommendations for strengthening the implementation of the **Fiscal Responsibility Act, 2007**; enhancing the effectiveness of the Fiscal Responsibility Commission; improving compliance by public institutions; and promoting sustainable fiscal governance in Nigeria.

1.6 Evolution of Nigeria's Fiscal Responsibility Framework

Nigeria's return to democratic governance in May 1999 marked the beginning of a comprehensive programme of economic and public financial management reforms aimed at restoring fiscal stability, strengthening macroeconomic management, and rebuilding investor confidence. The newly elected civilian administration inherited an economy characterised by high external debt, weak foreign exchange reserves, persistent fiscal deficits, heavy dependence on volatile oil revenues, weak budgetary institutions, and fragmented fiscal coordination among the Federal, State, and Local Governments. These structural challenges constrained economic growth, undermined fiscal sustainability, and exposed the country to recurrent macroeconomic instability (International Monetary Fund [IMF], 2004; World Bank, 2003).

At the beginning of the Fourth Republic, Nigeria's external debt exceeded **US\$30 billion**, while foreign exchange reserves stood at approximately **US\$3.7 billion**. Fiscal policy was largely discretionary, with limited institutional mechanisms to regulate public borrowing, expenditure, savings, and intergovernmental fiscal relations. The absence of legally enforceable fiscal rules contributed to procyclical public spending, weak budget implementation, poor transparency, and inadequate accountability in the management of public

resources (Debt Management Office [DMO], 2023; Okonjo-Iweala & Osafo-Kwaako, 2007).

Recognising these challenges, the Federal Government initiated a broad programme of fiscal and structural reforms designed to institutionalise prudent fiscal management and reduce the discretionary management of public finances. Under the leadership of the Federal Ministry of Finance, comprehensive reforms were introduced to improve fiscal discipline, strengthen budget preparation, enhance debt management, increase transparency, and establish a more predictable fiscal policy framework. These reforms formed part of the National Economic Empowerment and Development Strategy (NEEDS), which sought to improve governance, promote macroeconomic stability, and stimulate sustainable economic growth (National Planning Commission, 2004).

To support these reforms, the **Federal Ministry of Finance**, in collaboration with the **World Bank** and the **United Kingdom's Department for International Development (DFID)**, undertook an extensive analytical study on fiscal federalism and fiscal policy coordination in Nigeria. The objective was to identify institutional reforms that would strengthen macroeconomic stability while respecting the constitutional fiscal autonomy of the three tiers of government. The study examined issues such as expenditure smoothing

during oil price fluctuations, borrowing controls, debt sustainability, fiscal coordination across the Federation, and mechanisms for transforming existing administrative reforms into permanent legal and institutional arrangements (World Bank, 2003).

As part of the review, the reform team examined international fiscal responsibility frameworks implemented in countries such as **New Zealand, Australia, Brazil, India, Chile, Peru, Sweden, Estonia, Bulgaria, Luxembourg, Malaysia, Singapore, and Argentina**. Particular attention was given to jurisdictions that had successfully institutionalised fiscal discipline through medium-term expenditure frameworks, fiscal rules, transparent reporting systems, prudent debt management, and independent oversight institutions. The comparative analysis demonstrated that effective fiscal governance requires more than sound economic policy; it also depends on credible legal frameworks, strong institutions, transparent reporting, and effective compliance mechanisms (International Monetary Fund, 2007; Organisation for Economic Co-operation and Development [OECD], 2015).

Among the models studied, **Brazil's Fiscal Responsibility Law (Complementary Law No. 101 of 2000)** attracted particular attention because of its relevance to a federal system with multiple levels of government. Brazil's experience demonstrated how legally enforceable borrowing limits,

expenditure controls, fiscal reporting obligations, and sanctions for fiscal misconduct could strengthen fiscal coordination and improve public financial management. Similarly, **New Zealand's Fiscal Responsibility Act 1994**, now incorporated into the **Public Finance Act 1989**, provided an influential example of a principles-based fiscal framework founded on transparency, prudent debt management, long-term fiscal planning, and public accountability. These international experiences significantly influenced the development of Nigeria's Fiscal Responsibility framework (IMF, 2018; New Zealand Treasury, 2025).

Based on the recommendations arising from the analytical work, the Federal Government concluded that existing administrative arrangements were insufficient to guarantee sustainable fiscal discipline. Consequently, a **Fiscal Responsibility Bill** was introduced before the National Assembly in 2003 to convert discretionary fiscal practices into a statutory framework supported by independent institutional oversight. Following extensive consultations and legislative deliberations, the Bill was passed by the National Assembly. He received Presidential Assent on **30 July 2007**, when it was signed into law by **President Umaru Musa Yar'Adua** as the **Fiscal Responsibility Act, 2007** (Fiscal Responsibility Act, 2007).

The enactment of the Fiscal Responsibility Act represented one of the most significant public financial management reforms in Nigeria's democratic era. The Act provides a comprehensive legal framework for promoting the prudent management of national resources, maintaining long-term macroeconomic stability, strengthening fiscal transparency and accountability, ensuring sustainable public debt management, and institutionalising medium-term fiscal planning through the **Medium-Term Expenditure Framework (MTEF)**. It establishes rules governing budget preparation, public borrowing, fiscal reporting, debt sustainability, operating surplus remittances by Government-Owned Enterprises, and the publication of key fiscal information to improve fiscal discipline and policy predictability (Fiscal Responsibility Act, 2007).

A central feature of the Act is the establishment of the **Fiscal Responsibility Commission (FRC)** as the principal institution responsible for promoting and monitoring compliance with the Act. The Commission is mandated to monitor the implementation of the Fiscal Responsibility Act, disseminate information on fiscal responsibility principles, monitor compliance by Ministries, Departments, and Agencies (MDAs) and Government-Owned Enterprises (GOEs), investigate apparent violations of the Act, compel the disclosure of fiscal information where necessary, advise the Federal Government on fiscal policy

matters, and promote the attainment of the economic objectives contained in **Section 16 of the Constitution of the Federal Republic of Nigeria**. Although the Commission possesses important monitoring and investigative powers, its effectiveness has been constrained by limited prosecutorial authority, funding challenges, and the absence of a comprehensive administrative sanctions regime for non-compliance (Fiscal Responsibility Act, 2007).

Since its enactment, the Fiscal Responsibility Act has strengthened Nigeria's fiscal governance architecture by institutionalizing the Medium-Term Expenditure Framework, placing greater emphasis on fiscal transparency, improving debt management practices, and enhancing public accountability. Nevertheless, implementation has remained uneven due to inconsistent compliance by public institutions, delayed fiscal reporting, incomplete remittance of operating surpluses by Government-Owned Enterprises, political interference, weak enforcement mechanisms, institutional capacity constraints, and continuing dependence on oil revenues. These challenges underscore the need for continuous legislative, institutional, and operational reforms to enhance the effectiveness of Nigeria's fiscal responsibility framework and align it more closely with evolving international best practices.

1.7 Theoretical Framework

1.7.1 Introduction

This study adopts a multi-theoretical framework to examine the legal, institutional, and operational dimensions of fiscal responsibility legislation. Fiscal governance is influenced not only by statutory rules but also by institutional arrangements, political incentives, accountability relationships, economic behaviour, and intergovernmental fiscal structures. Consequently, no single theoretical perspective adequately explains the effectiveness or shortcomings of fiscal responsibility legislation. Rather, the study draws upon Fiscal Institutionalism, Public Choice Theory, Principal–Agent Theory, New Institutional Economics, Fiscal Federalism Theory, and the Rules versus Discretion framework developed by Kydland and Prescott (1977). Collectively, these theories provide complementary perspectives on how fiscal rules are designed, implemented, monitored, and enforced across different constitutional and institutional contexts.

The theoretical framework serves two principal purposes. First, it provides the conceptual basis for comparing the fiscal responsibility legislation of New Zealand, Australia, Brazil, India, Kenya, and Nigeria. Secondly, it informs the evaluation of Nigeria's Fiscal Responsibility Act 2007 by identifying the institutional, behavioural, and governance factors that influence compliance

with fiscal rules. Throughout the dissertation, these theories are used to interpret the comparative findings and to justify the proposed legal and institutional reforms.

1.7.2 Fiscal Institutionalism

Fiscal Institutionalism posits that sound fiscal outcomes depend primarily on the quality of fiscal institutions rather than on the discretionary decisions of political leaders. Figure 1.3: Conceptual Framework for the Study. It argues that formal institutions, including fiscal responsibility laws, ministries of finance, fiscal councils, audit institutions, and oversight bodies, create stable rules that constrain opportunistic fiscal behaviour, enhance transparency, and promote long-term fiscal sustainability (North, 1990).

This theory is particularly relevant to this study because it highlights that the effectiveness of Nigeria's Fiscal Responsibility Act depends not only on its legal provisions but also on the institutional capacity of the Fiscal Responsibility Commission and other public financial management institutions to monitor, enforce, and sustain compliance.

Figure 1.2: Theoretical/Conceptual Framework for the Study

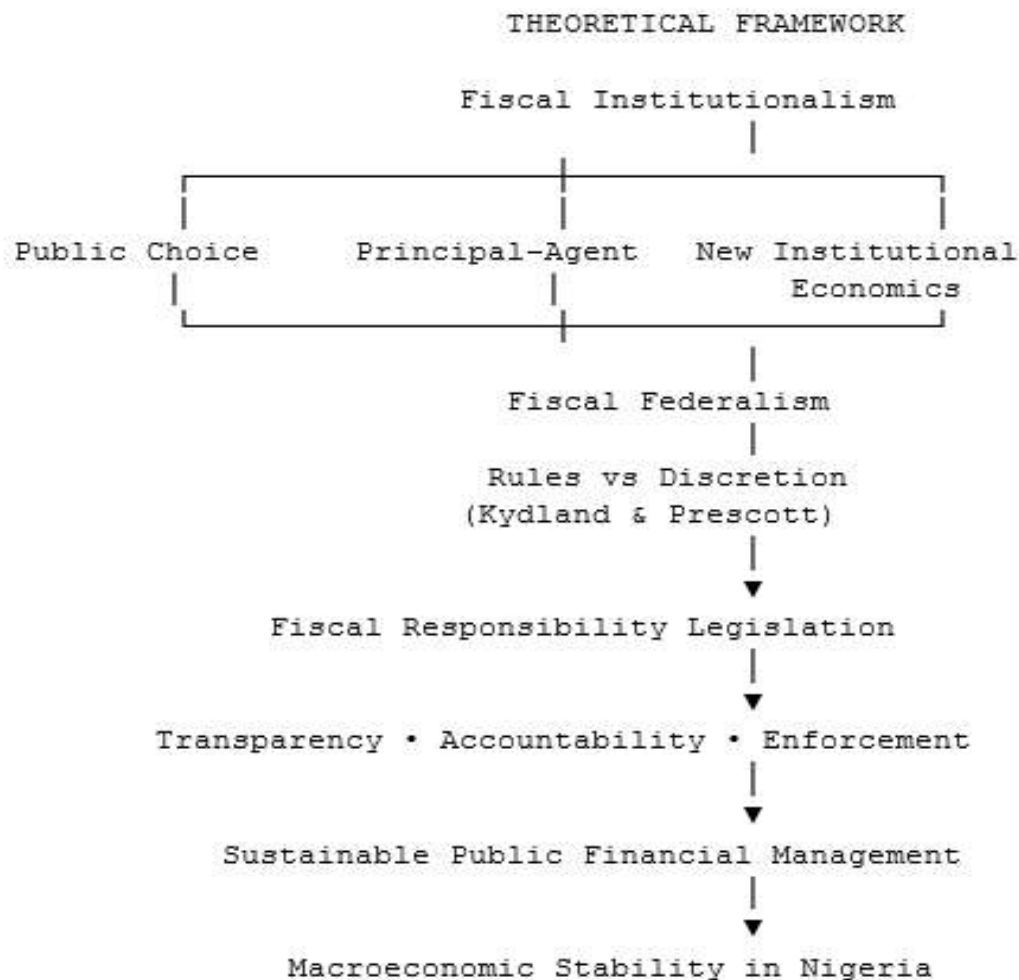


Figure 1.2: Conceptual framework illustrating the theoretical foundations underpinning the study and their relationship to fiscal responsibility legislation and the attainment of sustainable public financial management and macroeconomic stability in Nigeria.

1.7.3 Public Choice Theory

Public Choice Theory applies economic reasoning to political decision-making by assuming that politicians and public officials, like individuals in markets, pursue their own interests. It may prioritise electoral or political gains over

long-term fiscal sustainability (Buchanan & Tullock, 1962). The theory suggests that, without legal constraints, governments are inclined toward excessive borrowing, persistent fiscal deficits, and expansionary spending. Fiscal responsibility legislation, therefore, serves as a constitutional commitment device that limits fiscal discretion and promotes responsible public financial management. This perspective helps explain the need for stronger enforcement mechanisms and independent oversight within Nigeria's fiscal governance framework.

1.7.4 Principal–Agent Theory

Principal–Agent Theory explains the accountability relationship between citizens (the principals) and public officials (the agents), in which citizens delegate authority to governments and public institutions to manage public resources. Because agents often possess more information than principals, information asymmetry may lead to weak accountability, fiscal mismanagement, or noncompliance with legal obligations. Fiscal responsibility legislation addresses these agency problems by requiring transparent reporting, independent oversight, and regular disclosure of fiscal information. The theory is particularly applicable to Nigeria, where delayed reporting, weak compliance, and limited enforcement continue to affect the implementation of the Fiscal Responsibility Act.

1.7.5 New Institutional Economics

New Institutional Economics emphasises the role of institutions in reducing uncertainty, transaction costs, and information asymmetry within an economy (Coase, 1937; Williamson, 1985; North, 1990). In the context of fiscal governance, predictable fiscal rules, transparent reporting systems, and credible oversight institutions enhance investor confidence, improve public resource allocation, and support macroeconomic stability. The theory reinforces this study's argument that strong institutional arrangements are essential for effective fiscal responsibility legislation. It explains why countries with credible institutions generally achieve better fiscal outcomes than those relying solely on statutory provisions.

1.7.6 Fiscal Federalism Theory

Fiscal Federalism Theory examines the allocation of fiscal responsibilities among different levels of government within federal systems and argues that effective coordination is essential for maintaining national fiscal stability (Musgrave, 1959; Oates, 1972). The theory recognizes that fiscal indiscipline at the subnational level can undermine overall macroeconomic performance, thereby necessitating common fiscal rules and coordinated oversight. This perspective is directly relevant to Nigeria's federal structure, where uneven

implementation of fiscal responsibility legislation across states highlights the need for stronger intergovernmental coordination and harmonised fiscal governance.

1.7.7 Rules versus Discretion Theory (Kydland & Prescott)

The Rules versus Discretion theory, developed by Kydland and Prescott (1977), argues that governments achieve more credible and sustainable fiscal outcomes when guided by predetermined rules rather than unrestricted discretion. The theory addresses the problem of time inconsistency, whereby governments may depart from prudent fiscal policies in pursuit of short-term political or economic objectives. Fiscal responsibility legislation operationalises this principle by establishing legal rules governing borrowing, deficits, transparency, and fiscal planning while permitting limited flexibility through well-defined escape clauses. This framework provides a strong theoretical justification for strengthening Nigeria's Fiscal Responsibility Act to improve policy credibility, fiscal discipline, and long-term macroeconomic stability.

1.7.8 Application of the Theoretical Framework to the Study

The six theories adopted in this study are complementary rather than competing. Fiscal Institutionalism and New Institutional Economics emphasise the importance of strong institutions in supporting fiscal discipline. Public

Choice Theory explains why political actors may require legal constraints to prevent fiscal indiscipline. Principal–Agent Theory highlights the need for transparency, monitoring, and accountability in public financial management. Fiscal Federalism Theory provides a framework for analysing fiscal coordination within federal systems. In contrast, the Rules versus Discretion framework explains why legally binding fiscal rules enhance policy credibility and macroeconomic stability.

Collectively, these theories provide a robust conceptual foundation for evaluating Nigeria's Fiscal Responsibility Act 2007 and comparing it with the fiscal responsibility frameworks of New Zealand, Australia, Brazil, India, and Kenya. They also provide the analytical basis for the reform recommendations presented in Chapter Five, which aim to strengthen Nigeria's fiscal governance by improving legal design, institutional capacity, transparency, enforcement, and intergovernmental coordination.

CHAPTER TWO

Country Legal and Institutional Frameworks

2.1 New Zealand

New Zealand is widely regarded as the pioneer of modern fiscal responsibility legislation and has become the international benchmark for principles-based fiscal governance. Its fiscal responsibility framework emerged from comprehensive public sector reforms undertaken during the late 1980s and early 1990s following a period of persistent fiscal deficits, rising public debt, macroeconomic instability, and declining public confidence in government financial management. These reforms sought to replace discretionary fiscal decision-making with a transparent, rules-based framework that would promote prudent fiscal management while preserving sufficient flexibility for governments to respond to changing economic conditions (New Zealand Treasury, 2025; OECD, 2015).

A major milestone in these reforms was the enactment of the **Fiscal Responsibility Act 1994**, which established statutory principles for responsible fiscal management and significantly strengthened transparency and accountability in public finance. Rather than imposing rigid numerical fiscal targets, the legislation required governments to formulate fiscal policy in accordance with clearly defined principles and to explain how their policies

complied with those principles. In 2004, the fiscal responsibility provisions were incorporated into **Part 2 of the Public Finance Act 1989**, where they remain the legal foundation of New Zealand's fiscal framework (Public Finance Act 1989, Part 2).

Unlike many jurisdictions that rely primarily on numerical debt or deficit ceilings, New Zealand adopts a **principles-based fiscal responsibility model**. The legislation requires successive governments to pursue prudent levels of public debt, maintain operating balances over the medium term, preserve adequate levels of net worth to safeguard against future fiscal risks, and manage fiscal policy in a manner that supports long-term economic stability and intergenerational equity. The Act deliberately avoids prescribing permanent numerical limits, recognising that appropriate fiscal targets may vary according to prevailing economic circumstances and policy priorities (OECD, 2015).

A distinguishing feature of New Zealand's framework is its combination of flexibility with strong transparency obligations. The Government may temporarily depart from the statutory principles of responsible fiscal management where exceptional economic circumstances justify such action, including severe economic downturns, financial crises, natural disasters, or other major fiscal shocks. However, any departure must be accompanied by a

clear public explanation outlining the reasons for the deviation, the expected fiscal consequences, and the Government's strategy and timetable for restoring compliance with the principles of prudent fiscal management. This "comply or explain" approach preserves policy flexibility while ensuring that departures remain subject to parliamentary scrutiny and public accountability (International Monetary Fund [IMF], 2018).

The legislation also establishes one of the world's most comprehensive fiscal transparency regimes. The Government is required to publish a range of fiscal reports that enable Parliament, investors, credit rating agencies, and citizens to monitor fiscal performance and assess the sustainability of public finances. Key statutory reporting requirements include:

- **Fiscal Strategy Reports**, setting out the Government's medium-term fiscal objectives and strategic priorities.
- **Budget Economic and Fiscal Updates**, providing updated macroeconomic forecasts and fiscal projections.
- **Half-Year Economic and Fiscal Updates**, reporting fiscal performance during the financial year.
- **Long-Term Fiscal Statements** are published at least every four years to assess fiscal sustainability over a minimum forty-year horizon.

- **Statements of Specific Fiscal Risks**, identifying contingent liabilities and other fiscal risks that could materially affect future public finances.
- **Annual Financial Statements of the Government**, prepared using internationally recognised accrual accounting standards and independently audited by the Controller and Auditor-General (Public Finance Act 1989).

New Zealand's fiscal responsibility framework emphasises several core principles that guide government fiscal policy:

- **Prudent management of public debt**, ensuring that debt remains at sustainable levels over the medium and long term.
- **Maintenance of operating balances** that contribute to fiscal sustainability and reduce excessive reliance on borrowing.
- **Preservation of government net worth** to enhance resilience against future economic shocks.
- **Reasonable predictability and stability of taxation**, avoiding abrupt or unsustainable changes in tax policy.
- **Transparent management of fiscal risks**, including early disclosure of emerging fiscal pressures and contingent liabilities.
- **Medium-term fiscal planning**, ensuring that annual budgets are consistent with longer-term fiscal objectives.

Institutionally, New Zealand's framework relies less on punitive legal sanctions and more on strong systems of democratic accountability. Compliance is reinforced through multiple oversight mechanisms, including rigorous parliamentary scrutiny, independent auditing by the Controller and Auditor-General, comprehensive public reporting, active media oversight, financial market discipline, and close monitoring by international credit rating agencies. Because governments are legally required to explain departures from fiscal responsibility principles and publish detailed fiscal information, reputational consequences and political accountability provide powerful incentives for compliance. Consequently, New Zealand has consistently maintained high levels of fiscal transparency and is regularly ranked among the world's leading countries in international assessments of budget openness and public financial management (International Budget Partnership, 2023).

Although the legislation provides limited direct civil or criminal sanctions for non-compliance, its effectiveness derives from the credibility of public institutions, a strong culture of transparency, independent oversight, and well-established constitutional conventions. Successive governments have generally adhered to the principles of responsible fiscal management because non-compliance would attract significant parliamentary criticism, adverse public scrutiny, and potential loss of investor confidence. This experience

demonstrates that effective fiscal responsibility legislation does not necessarily depend on severe legal penalties; rather, it requires transparent reporting, institutional integrity, political commitment, and sustained public accountability.

New Zealand's experience offers several important lessons for Nigeria. First, fiscal responsibility legislation should establish clear principles that provide strategic direction while allowing sufficient flexibility to respond to unforeseen economic events. Second, transparency obligations and high-quality fiscal reporting can strengthen accountability more effectively than reliance on punitive sanctions alone. Third, credible independent institutions and robust parliamentary oversight are essential for ensuring sustained compliance. Finally, long-term fiscal planning, comprehensive disclosure of fiscal risks, and a strong culture of public accountability contribute significantly to maintaining fiscal discipline and macroeconomic stability.

2.2 Australia

Australia's fiscal responsibility framework is principally governed by the **Charter of Budget Honesty Act 1998 (Cth)**, which establishes a comprehensive legal and procedural framework for promoting fiscal transparency, accountability, and sound public financial management. Enacted

in the aftermath of significant fiscal reforms during the 1990s, the Charter was designed to improve the credibility of fiscal policy by requiring governments to articulate clear fiscal objectives, publish comprehensive fiscal information, and subject fiscal decisions to greater parliamentary and public scrutiny. Rather than prescribing rigid numerical fiscal limits, the legislation seeks to institutionalise fiscal discipline through transparency, medium-term planning, and informed democratic accountability (Australian Government, 1998; OECD, 2015).

The Charter was introduced following recommendations of the National Commission of Audit and broader reforms intended to strengthen fiscal governance after periods of budget deficits and growing public concern regarding the transparency of fiscal reporting. Before the Charter, budget information was often criticized for its inconsistency and inadequate disclosure, making it difficult for Parliament, financial markets, and the public to objectively evaluate the Government's fiscal position. The Charter, therefore, established legally enforceable reporting obligations intended to improve the integrity and comparability of fiscal information (Department of the Treasury, Australia, 2024).

Unlike fiscal responsibility legislation in some jurisdictions, the **Charter of Budget Honesty Act does not impose statutory ceilings on budget**

deficits, public debt, or government expenditure. Instead, it adopts a **principles-based framework** that requires governments to formulate and pursue fiscal policy consistent with the overarching objective of maintaining the sustainability of public finances over the medium term. This approach recognises that fiscal policy should retain sufficient flexibility to respond to changing economic conditions while ensuring that governments remain publicly accountable for their fiscal decisions.

At the center of the Charter is the requirement for each government to prepare and publish a **Fiscal Strategy Statement**. This statement outlines the Government's medium-term fiscal strategy, explains its fiscal objectives, and describes how current budget decisions are expected to achieve those objectives. Governments are required to assess fiscal performance against the stated strategy and explain any significant departures from previously announced fiscal policies, thereby strengthening policy consistency and accountability.

The Charter establishes one of the most comprehensive fiscal reporting regimes among OECD countries. Key statutory reporting requirements include:

- **Budget Economic and Fiscal Outlook (Budget Papers)**, presenting the Government's fiscal strategy, macroeconomic assumptions, revenue and expenditure projections, and forward estimates.
- **The Mid-Year Economic and Fiscal Outlook (MYEFO)** provides updated fiscal forecasts and reporting material changes in economic conditions and budget performance during the financial year.
- **Final Budget Outcome Report**, comparing actual fiscal outcomes with budget estimates and explaining significant variances.
- **Intergenerational Reports**, published every five years, assess the long-term sustainability of public finances over approximately forty years by examining demographic change, productivity, economic growth, government expenditure, and fiscal risks.
- **Pre-Election Economic and Fiscal Outlook (PEFO)**, prepared independently by the Secretaries of the Treasury and the Department of Finance following the announcement of a federal election. The PEFO provides all political parties and the electorate with an impartial assessment of the nation's fiscal position immediately before voting, thereby reducing opportunities for fiscal misrepresentation during election campaigns (Charter of Budget Honesty Act 1998).

Australia's fiscal responsibility framework is guided by several principles of sound fiscal management, including:

- Maintaining prudent and sustainable levels of public debt over the medium and long term.
- Managing fiscal policy about its impact on future generations.
- Ensuring that government spending decisions are consistent with long-term fiscal sustainability.
- Promoting stability and predictability in fiscal policy to support economic growth and investor confidence.
- Providing timely, accurate, and comprehensive disclosure of fiscal information to Parliament and the public.
- Integrating annual budgets within a medium-term fiscal strategy.

Institutionally, Australia's fiscal governance framework is supported by several complementary oversight bodies. The **Department of the Treasury** and the **Department of Finance** are responsible for preparing statutory fiscal reports and advising the Government on fiscal policy. Independent scrutiny is strengthened by the **Australian National Audit Office (ANAO)**, which audits government financial statements and assesses financial management practices, and by the **Parliamentary Budget Office (PBO)**, established under the *Parliamentary Service Act 1999* in 2012. The PBO provides independent

analysis of budget policy, prepares costings of election commitments, and supports informed parliamentary debate. While the PBO performs many functions associated with an independent fiscal institution, it is important to note that **not all reports required under the Charter are produced by an independent fiscal council**; many statutory reports continue to be prepared by executive agencies, particularly the Treasury and the Department of Finance.

The Charter relies primarily on **political, parliamentary, and public accountability** rather than criminal or civil sanctions. It does not prescribe criminal penalties for failure to achieve fiscal objectives or for deviations from fiscal strategy. Instead, compliance is promoted through mandatory public disclosure, parliamentary scrutiny, independent audit, media oversight, financial market discipline, and electoral accountability. Governments that fail to adhere to their declared fiscal strategies are expected to explain the reasons for such departures, allowing Parliament, investors, and citizens to assess the credibility and sustainability of fiscal policy.

Australia's experience demonstrates that transparent fiscal reporting and institutional accountability can promote responsible fiscal management without relying on rigid statutory fiscal rules or punitive enforcement mechanisms. The emphasis on medium-term fiscal strategy, independent fiscal analysis,

comprehensive reporting, and informed parliamentary oversight has contributed to Australia's strong international reputation for budget transparency and sound fiscal governance. At the same time, the flexibility inherent in the principles-based approach has enabled governments to respond effectively to major economic shocks, including the Global Financial Crisis and the COVID-19 pandemic, while maintaining public confidence in fiscal management.

For Nigeria, the Australian model provides several valuable lessons. First, fiscal responsibility legislation should require governments to articulate clear medium-term fiscal strategies against which performance can be objectively assessed. Second, regular publication of budget updates, long-term fiscal sustainability reports, and pre-election fiscal statements enhances transparency and reduces information asymmetry between the government and the public. Third, independent institutions such as a Parliamentary Budget Office can strengthen legislative oversight and improve the quality of fiscal debate. Finally, sustained transparency, supported by robust parliamentary scrutiny and public accountability, can be an effective complement to legal enforcement mechanisms in promoting fiscal discipline and sound public financial management.

2.3 Brazil

Brazil's fiscal responsibility framework is founded on **Complementary Law No. 101 of 4 May 2000**, commonly known as the **Fiscal Responsibility Law (Lei de Responsabilidade Fiscal – LRF)**. The LRF is internationally recognised as one of the most comprehensive fiscal responsibility laws in the world and has served as a model for several emerging economies seeking to strengthen fiscal discipline and improve public financial management. Enacted following periods of chronic inflation, unsustainable public debt, fiscal indiscipline, and repeated subnational financial crises during the 1980s and 1990s, the Law was designed to institutionalise fiscal responsibility across all levels of government and establish legally enforceable standards for sound public finance management (Government of Brazil, 2000; International Monetary Fund [IMF], 2018).

Unlike many fiscal responsibility laws that apply only to national governments, Brazil's framework applies comprehensively to the **Federal Government (Union), the twenty-six States, the Federal District, and more than 5,500 Municipalities**. This broad constitutional coverage reflects Brazil's federal structure and ensures that fiscal discipline extends throughout the entire public sector. The Law regulates budget planning, revenue management, public expenditure, personnel costs, borrowing, public debt, government guarantees,

fiscal reporting, fiscal transparency, and accountability across all levels of government.

The Fiscal Responsibility Law establishes legally binding **numerical fiscal rules** and procedural controls intended to safeguard fiscal sustainability. These include statutory limits on public debt, restrictions on personnel expenditure, controls over borrowing operations, conditions governing the granting of government guarantees, limitations on credit operations between different levels of government, and requirements for maintaining fiscal balance. Governments are prohibited from creating expenditures without identifying sustainable funding sources, and new borrowing must comply with legally prescribed debt limits and authorisation procedures.

A distinguishing characteristic of Brazil's framework is the integration of **fiscal planning with legal accountability**. Governments are required to prepare multi-year plans, annual budget guidelines, and annual budgets that are mutually consistent and aligned with fiscal sustainability objectives. Throughout the fiscal year, governments must continuously monitor compliance with fiscal targets and adopt corrective measures whenever deviations occur.

To strengthen transparency, the Fiscal Responsibility Law establishes extensive reporting obligations. Among the principal reporting instruments are:

- **Fiscal Management Reports (Relatórios de Gestão Fiscal)** are published periodically to demonstrate compliance with statutory fiscal limits.
- **Summary Budget Execution Reports (Relatórios Resumidos da Execução Orçamentária)** provide detailed information on budget implementation.
- Publication of debt levels, borrowing operations, guarantees, personnel expenditure, and fiscal performance.
- Public disclosure of budget execution and fiscal information through accessible transparency mechanisms.
- Regular reporting to the legislature and audit institutions.

These reporting obligations have significantly improved fiscal transparency and public oversight by enabling legislatures, audit institutions, investors, and citizens to monitor government fiscal performance in near real time.

Brazil further strengthened its fiscal framework through the enactment of **Complementary Law No. 200 of 30 August 2023**, which introduced a **Sustainable Fiscal Regime (Novo Arcabouço Fiscal)** for the Federal Government. Rather than replacing the Fiscal Responsibility Law of 2000, the 2023 legislation supplements it by introducing a modern fiscal framework centered on **primary fiscal balance targets**, tolerance bands around those

targets, and expenditure growth parameters linked to debt sustainability and revenue performance. The new regime seeks to balance fiscal discipline with economic growth by allowing controlled expenditure expansion while maintaining a credible path toward debt stabilisation. This illustrates the adaptability of Brazil's fiscal framework to changing macroeconomic conditions while preserving the institutional foundations established by the 2000 Law.

One of the strongest features of Brazil's fiscal responsibility system is its robust enforcement architecture. Compliance is monitored through a network of institutions rather than a single supervisory body. Responsibility for enforcement is distributed among:

- The **National Congress**, State Legislative Assemblies, and Municipal Councils exercise legislative oversight.
- The **Federal Court of Accounts (Tribunal de Contas da União – TCU)** and the corresponding State and Municipal Audit Courts.
- The **Public Prosecutor's Office (Ministério Público)**.
- The Judiciary.
- Internal control bodies within the government.
- The Ministry of Finance and other executive oversight institutions.

The Fiscal Responsibility Law is supported by complementary legislation, including the **Fiscal Crimes Law (Law No. 10,028 of 2000)**, which introduced criminal and administrative penalties for serious fiscal misconduct. Consequently, violations may result in **administrative sanctions, civil liability, institutional consequences, financial penalties, loss of office, disqualification from holding public office, and criminal prosecution**, depending on the nature and severity of the offense. This combination of numerical fiscal rules, strong institutional oversight, and enforceable legal sanctions distinguishes Brazil from many other jurisdictions whose fiscal responsibility frameworks rely primarily on political accountability.

Brazil's experience demonstrates that effective fiscal governance in a federal system requires not only well-designed fiscal rules but also strong institutions capable of monitoring compliance and enforcing accountability across all levels of government. Its combination of statutory fiscal limits, comprehensive transparency obligations, distributed institutional oversight, and legally enforceable sanctions provides valuable lessons for countries seeking to strengthen fiscal discipline within complex federal arrangements.

For Nigeria, Brazil offers the closest comparative model because both countries operate federal constitutional systems with multiple tiers of government. Brazil's experience suggests that extending fiscal responsibility

obligations across all levels of government, strengthening audit institutions, introducing clearer statutory fiscal limits, and establishing more effective administrative and legal sanctions could significantly improve compliance with Nigeria's Fiscal Responsibility Act while enhancing fiscal coordination throughout the Federation.

2.4 India

India's fiscal responsibility framework is principally governed by the **Fiscal Responsibility and Budget Management Act, 2003 (FRBM Act)**, enacted to institutionalise fiscal discipline, improve transparency in public finances, promote prudent debt management, and ensure long-term macroeconomic stability. The Act was introduced in response to persistent fiscal deficits, rising public debt, and increasing concern about the sustainability of government finances during the late 1990s and early 2000s. Its overarching objective is to establish a rules-based fiscal framework that supports sustainable economic growth while safeguarding the interests of future generations through responsible fiscal management (Government of India, 2003).

The FRBM Act applies primarily to the **Central Government**. However, recognising India's federal constitutional structure, most State Governments

have enacted their own Fiscal Responsibility Laws (FRLs), often following recommendations of the Finance Commission and with incentives provided by the Central Government. Consequently, fiscal responsibility in India operates through a coordinated framework in which both the Union and State Governments are expected to maintain fiscal discipline within their respective constitutional responsibilities.

The Act identifies four broad policy objectives:

- **Promoting intergenerational equity** by preventing the accumulation of unsustainable public debt that would impose excessive financial burdens on future generations.
- **Maintaining long-term macroeconomic stability** through prudent fiscal policy and sustainable public finances.
- **Strengthening debt management** by reducing fiscal deficits and containing government borrowing within sustainable limits.
- **Enhancing transparency and accountability** through mandatory fiscal reporting and parliamentary oversight.

Unlike purely principles-based models such as New Zealand's, India's framework combines **statutory fiscal targets with procedural reporting requirements**. The original Act established targets for reducing revenue

deficits and fiscal deficits. However, following recommendations of the **N. K. Singh Committee**, the **Fiscal Responsibility and Budget Management (Amendment) Act, 2018** shifted greater emphasis toward maintaining sustainable levels of **Central Government debt** and **fiscal deficits**, recognising debt sustainability as the principal indicator of long-term fiscal health. The reforms also clarified the operation of statutory escape clauses and strengthened the framework for monitoring compliance (Government of India, 2018).

To improve fiscal transparency and facilitate parliamentary oversight, the FRBM Act requires the Central Government to present several policy statements alongside the annual Union Budget. These include:

- **Medium-Term Fiscal Policy Statement**, outlining fiscal objectives, deficit projections, debt levels, and medium-term fiscal strategy.
- **Medium-Term Expenditure Framework Statement**, presenting projected expenditure priorities over the medium term.
- **Fiscal Policy Strategy Statement**, explaining the Government's approach to taxation, expenditure, borrowing, and fiscal sustainability.
- **Macroeconomic Framework Statement**, setting out macroeconomic assumptions underpinning the Budget, including projections for economic growth, inflation, and external conditions.

These statutory reports enable Parliament to assess whether annual budget proposals are consistent with the Government's medium-term fiscal objectives and long-term debt sustainability strategy.

The Indian framework establishes **debt and fiscal-deficit targets**, supported by detailed fiscal rules and regular reporting to Parliament. Compliance is monitored through periodic budget documentation, financial statements, and parliamentary review. Rather than relying solely on annual budget balances, the framework emphasises maintaining a sustainable trajectory for public debt while ensuring fiscal policy remains consistent with broader macroeconomic objectives.

Recognising that rigid fiscal rules may be inappropriate during periods of severe economic disruption, the FRBM Act incorporates carefully defined **escape clauses**. These provisions permit temporary deviations from fiscal targets under specified exceptional circumstances, including:

- National security emergencies or war;
- Natural disasters;
- Severe economic downturns;
- Major structural reforms with significant fiscal implications; and

- Other exceptional circumstances are approved in accordance with statutory procedures.

Where these escape provisions are invoked, the Government is expected to provide Parliament with a clear explanation of the reasons for the deviation and to indicate the measures to be adopted to restore compliance once the exceptional circumstances have passed. These provisions were utilized during the **Global Financial Crisis** and the **COVID-19 pandemic**, when temporary relaxation of fiscal targets was considered necessary to support economic recovery and protect public welfare.

Institutionally, implementation of the FRBM framework is overseen by the **Ministry of Finance**, with accountability primarily exercised through **Parliament**, the **Comptroller and Auditor General of India (CAG)**, parliamentary committees, and other constitutional oversight institutions. Although various expert committees have recommended the establishment of an independent Fiscal Council, India currently relies principally on executive reporting, legislative scrutiny, and external audit rather than a dedicated independent fiscal institution.

The Indian framework places greater emphasis on **parliamentary and procedural accountability** than on punitive legal sanctions. The FRBM Act

contains **limited direct sanctions** for non-compliance with fiscal targets. Instead, compliance is promoted through mandatory reporting requirements, parliamentary debate, public disclosure of fiscal information, audit processes, and political accountability. Governments that fail to meet fiscal objectives are expected to explain the reasons for such deviations through statutory reports presented to Parliament, allowing elected representatives and the public to assess the credibility of fiscal policy.

India's experience demonstrates that fiscal responsibility legislation can successfully combine statutory fiscal targets, medium-term fiscal planning, transparent reporting, and carefully designed escape clauses while retaining sufficient flexibility to respond to exceptional economic shocks. The framework has evolved to place greater emphasis on debt sustainability and long-term fiscal resilience rather than strict adherence to annual deficit targets, illustrating the importance of adapting fiscal rules to changing economic realities.

For Nigeria, the Indian model offers several valuable lessons. First, fiscal responsibility legislation should integrate **debt sustainability** into its core fiscal objectives rather than focusing exclusively on annual budget performance. Second, statutory **medium-term fiscal and expenditure statements** can strengthen fiscal planning and improve policy predictability. Third, clearly defined **escape clauses** provide necessary flexibility during periods of

economic crisis while preserving transparency and accountability. Finally, sustained parliamentary oversight, supported by comprehensive fiscal reporting, can enhance compliance even where direct legal sanctions are limited.

2.5 Kenya

Kenya's fiscal responsibility framework is founded on the **Constitution of Kenya, 2010**, particularly **Article 201**, which establishes the constitutional principles governing public finance. These principles are implemented through the **Public Finance Management Act, 2012 (PFM Act)**, together with subsidiary regulations, Treasury circulars, and other public financial management instruments. Unlike many jurisdictions where fiscal responsibility is established solely through legislation, Kenya embeds fiscal responsibility within its Constitution, thereby giving fiscal discipline, transparency, accountability, and prudent financial management a strong constitutional foundation. The framework applies to both the **National Government** and the **forty-seven County Governments**, reflecting Kenya's devolved system of governance established under the 2010 Constitution (Constitution of Kenya, 2010; Public Finance Management Act, 2012).

The adoption of the Constitution in 2010 marked a fundamental transformation of Kenya's public financial management architecture. The new constitutional order sought to strengthen fiscal governance by promoting openness, accountability, equitable resource allocation, prudent debt management, and effective oversight of public resources. To operationalise these constitutional principles, Parliament enacted the **Public Finance Management Act, 2012**, replacing earlier fragmented financial management laws with an integrated legal framework governing budgeting, fiscal policy, debt management, accounting, reporting, internal control, and financial oversight across both levels of government.

Article 201 of the Constitution establishes several overarching principles of public finance, including:

- Openness and accountability in financial matters.
- Public participation in fiscal decision-making.
- Equitable sharing of national revenue.
- Responsible and prudent use of public resources.
- Sustainable public borrowing.
- Fair distribution of the burdens and benefits of public finance between present and future generations.

These constitutional principles are translated into detailed statutory obligations under the Public Finance Management Act and its implementing regulations.

Kenya's fiscal responsibility framework links fiscal responsibility directly to the budget process through mandatory medium-term planning and annual fiscal policy formulation. The Cabinet Secretary responsible for finance is required to prepare and submit key fiscal policy documents to Parliament, while County Executive Committee Members responsible for finance perform corresponding functions at the county level. The principal fiscal planning and reporting documents include:

- **Budget Policy Statement (BPS)**, setting out the National Government's medium-term fiscal strategy, macroeconomic outlook, fiscal objectives, and expenditure priorities.
- **County Fiscal Strategy Papers (CFSPs)** provide the medium-term fiscal framework for County Governments.
- **Medium-Term Debt Management Strategy**, outlining government borrowing plans and debt sustainability objectives.
- **Annual Debt Reports** provide detailed information on public debt and contingent liabilities.
- **Macroeconomic and Fiscal Forecasts**, supporting budget preparation and medium-term fiscal planning.

- **Budget Implementation Reports**, monitoring execution of approved budgets, and compliance with fiscal responsibility principles.

These reporting obligations promote transparency and enable Parliament, County Assemblies, oversight institutions, and the public to monitor fiscal performance throughout the budget cycle.

The Public Finance Management framework also incorporates specific **fiscal responsibility principles** applicable to both national and county governments. Although these principles have evolved through amendments and regulations, they generally require governments to maintain sustainable levels of public debt, ensure that recurrent expenditure is financed primarily from domestic revenues, promote efficient allocation of public resources, and preserve adequate fiscal space for development spending. In particular, the legislation and accompanying regulations emphasise:

- Maintenance of sustainable public debt.
- Medium-term fiscal planning and budgeting.
- Appropriate levels of **development expenditure** relative to total government spending.
- Controls over **personnel expenditure** to prevent excessive wage bills from crowding out essential public investment.

- Transparent reporting of fiscal performance and debt obligations.
- Effective financial management and internal controls.

Comprehensive institutional oversight arrangements reinforce Kenya's fiscal governance framework. At the national level, **Parliament** exercises legislative oversight over fiscal policy, budget approval, and government borrowing. At the county level, **County Assemblies** perform similar oversight functions over devolved governments.

Independent constitutional institutions play particularly important roles in monitoring compliance. The **Controller of Budget**, established under Article 228 of the Constitution, authorises withdrawals from public funds and monitors budget implementation by both national and county governments. The **Auditor-General**, established under Article 229, independently audits public accounts and reports to Parliament and County Assemblies on the management and use of public resources. These institutions are complemented by the **National Treasury**, the **Commission on Revenue Allocation**, parliamentary committees, and other accountability institutions that collectively strengthen fiscal oversight and transparency.

Unlike Brazil's Fiscal Responsibility Law, Kenya's framework relies primarily on **constitutional, parliamentary, administrative, and institutional**

accountability rather than extensive criminal sanctions for fiscal non-compliance. Compliance is promoted through mandatory reporting, legislative scrutiny, audit findings, public disclosure, and constitutional oversight mechanisms. Administrative sanctions, financial accountability measures, and disciplinary proceedings may arise under the Public Finance Management Act and other applicable legislation where public officers fail to comply with statutory financial management requirements.

Since the introduction of the 2010 Constitution and the Public Finance Management Act, Kenya has made significant progress in strengthening budget transparency, integrating medium-term fiscal planning, improving debt reporting, and enhancing oversight of both national and county finances. Integrated Public Financial Management (IFMIS) reforms, improved budget documentation, and stronger institutional oversight have contributed to greater fiscal transparency and accountability. Nevertheless, implementation continues to face important challenges, including rising public debt, accumulation of pending bills and expenditure arrears, political incentives for expansionary spending, pressures associated with electoral cycles, and capacity constraints at the county level. These challenges demonstrate that effective fiscal responsibility depends not only on strong legal provisions but also on

sustained institutional capacity, political commitment, and sound public financial management practices.

Kenya's experience offers several important lessons for Nigeria. First, embedding fiscal responsibility principles within a constitutional framework can provide stronger legal and institutional support for prudent fiscal management. Second, extending fiscal responsibility obligations to subnational governments promotes greater fiscal coordination within a federal or devolved system. Third, independent oversight institutions, such as the Controller of Budget and the Auditor-General, enhance accountability through continuous monitoring and transparent reporting. Finally, integrating fiscal responsibility with comprehensive public financial management reforms—including medium-term budgeting, debt management, and digital financial management systems—can significantly strengthen overall fiscal governance.

2.6 Nigeria

Nigeria's fiscal responsibility framework is established under the **Fiscal Responsibility Act, 2007 (FRA)**, enacted to institutionalise prudent fiscal management, promote macroeconomic stability, strengthen transparency and accountability in public finance, and ensure the sustainable management of

public resources. The Act represents one of the most significant public financial management reforms introduced since Nigeria's return to democratic governance in 1999. It forms an integral part of the country's broader fiscal and economic reform agenda. It seeks to replace discretionary fiscal decision-making with a rules-based framework that guides budget preparation, public borrowing, expenditure management, debt sustainability, fiscal reporting, and oversight of public corporations (Fiscal Responsibility Act, 2007).

The Act applies directly to the **Federal Government of Nigeria**, its **Ministries, Departments, and Agencies (MDAs)**, and **scheduled corporations and government-owned enterprises** listed in the Schedule to the Act. Although the legislation does not automatically apply to State Governments, it encourages each state of the Federation to enact equivalent fiscal responsibility legislation consistent with the principles of the federal framework. In response, several states have enacted their own Fiscal Responsibility Laws, although the scope, institutional arrangements, and implementation effectiveness vary considerably across the Federation.

A central feature of the Fiscal Responsibility Act is the institutionalisation of **medium-term fiscal planning**. The Act requires the Federal Government to prepare a **Medium-Term Expenditure Framework (MTEF)** and a **Fiscal Strategy Paper (FSP)** before preparing each annual budget. These

documents establish the Government's macroeconomic assumptions, medium-term fiscal objectives, revenue projections, expenditure ceilings, debt strategy, and fiscal risks, thereby providing a strategic framework for annual budget formulation. By linking annual appropriations to medium-term fiscal planning, the Act seeks to improve budget credibility, enhance policy consistency, and strengthen fiscal sustainability.

The Act also introduces important **fiscal rules governing expenditure and deficit financing**. Annual aggregate expenditure is expected to remain consistent with the Medium-Term Expenditure Framework and available fiscal resources. Budget deficits are permitted only under clearly defined circumstances and must not exceed the limits prescribed by law unless exceptional conditions justify temporary deviations. The legislation, therefore, seeks to discourage excessive deficit financing while promoting fiscal discipline and macroeconomic stability.

Nigeria's fiscal responsibility framework contains detailed provisions governing **public borrowing and debt management**. Under the Act, government borrowing is permissible only for clearly defined purposes, principally the financing of **capital expenditure** and **human development programmes**, and must be undertaken on **concessional terms** where practicable. Borrowing must also comply with statutory conditions relating to debt sustainability and

affordability. These provisions are intended to ensure that public debt contributes to long-term economic development rather than financing recurrent expenditure or unsustainable fiscal deficits. The framework complements the **Debt Management Office's (DMO)** responsibilities for coordinating public debt management and maintaining debt sustainability.

One of the distinctive provisions of the Fiscal Responsibility Act concerns the **remittance of operating surpluses by scheduled corporations and government-owned enterprises (GOEs)**. The Act requires each scheduled corporation to establish a general reserve fund and remit a prescribed proportion of its annual operating surplus to the Consolidated Revenue Fund of the Federation after making approved deductions. This provision seeks to enhance public accountability, reduce the accumulation of excess revenues outside the Treasury, and ensure that commercially successful public enterprises contribute appropriately to national revenue. In practice, however, compliance with operating-surplus remittance requirements has remained inconsistent, with repeated concerns raised by the Fiscal Responsibility Commission, the Office of the Auditor-General for the Federation, and the National Assembly regarding incomplete or delayed remittances by several government-owned enterprises.

The Act places considerable emphasis on **transparency and fiscal reporting**. It requires publishing key fiscal documents, including the Medium-Term Expenditure Framework, the Fiscal Strategy Paper, annual budgets, budget implementation reports, borrowing information, and other fiscal reports, to promote public accountability. Government institutions are also required to maintain proper accounting records and to provide fiscal information to the Fiscal Responsibility Commission upon request. These reporting obligations are intended to improve public access to fiscal information, facilitate legislative oversight, and strengthen confidence in the management of public finances.

Institutionally, the Act establishes the **Fiscal Responsibility Commission (FRC)** as the principal body responsible for monitoring and promoting compliance with the legislation. The Commission is empowered to:

- Monitor compliance with the provisions of the Fiscal Responsibility Act;
- Disseminate information on fiscal responsibility principles and sound public financial management;
- Monitor implementation of the Medium-Term Expenditure Framework;
- Require Ministries, Departments, Agencies, and Government-Owned Enterprises to provide fiscal information and relevant records;
- Investigate alleged violations of the Act;
- Make recommendations for improving fiscal governance; and

- **Forward reports of offenses to the Attorney-General of the Federation for appropriate legal action** where violations are identified.

These powers provide the Commission with significant monitoring and investigative responsibilities. However, the Commission **does not possess independent prosecutorial authority**, nor does the Act establish a comprehensive administrative sanctions regime comparable to those found in jurisdictions such as Brazil. Where investigations reveal possible offenses, the Commission must rely on the **Attorney-General of the Federation** or other competent authorities to initiate legal proceedings. This institutional arrangement has, in many cases, weakened enforcement effectiveness by introducing procedural delays and limiting the Commission's ability to ensure timely accountability.

The Nigerian framework, therefore, relies predominantly on **monitoring, reporting, persuasion, legislative oversight, and inter-agency cooperation** rather than on direct administrative or criminal enforcement by the Commission itself. While the Fiscal Responsibility Act creates legal obligations for public institutions, the absence of automatic sanctions for many forms of non-compliance has reduced the legislation's deterrent effect. Investigations conducted by the Commission have not always led to timely prosecution, the recovery of public funds, or meaningful administrative

consequences for defaulting institutions. Consequently, repeated instances of delayed fiscal reporting, breaches of borrowing conditions, non-remittance of operating surpluses, and weak compliance with statutory fiscal obligations have continued to undermine the effectiveness of the fiscal responsibility framework.

Despite these implementation challenges, the Fiscal Responsibility Act has made an important contribution to Nigeria's public financial management system by institutionalising medium-term fiscal planning, strengthening transparency, integrating fiscal policy with debt sustainability, and establishing a permanent institutional framework for monitoring fiscal discipline. Nevertheless, comparative analysis with jurisdictions such as New Zealand, Australia, Brazil, India, and Kenya indicates that Nigeria's framework would benefit from stronger enforcement mechanisms, clearer administrative sanctions, enhanced institutional independence for the Fiscal Responsibility Commission, improved coordination with oversight institutions, and more effective follow-through on investigations. Strengthening these areas would significantly improve compliance, reinforce fiscal discipline, and enhance public confidence in Nigeria's fiscal governance architecture.

Table 2.1: Summary of the Principal Legal Frameworks

Country	Principal framework	Model	Coverage	Primary accountability
New Zealand	Public Finance Act 1989, Part 2; Historical Fiscal Responsibility Act 1994	Principle and transparency-based	Central/Crown	Parliamentary, audit, and reputational
Australia	Charter of Budget Honesty Act 1998	Procedural and transparency-based	Commonwealth	Parliamentary and political
Brazil	Complementary Laws Nos. 101/2000 and 200/2023	Rules and sanctions based	All federal levels	Distributed legal and institutional enforcement
India	FRBM Act 2003 and rules	Hybrid numerical and procedural	Central; separate state laws	Parliamentary and procedural
Kenya	Constitution 2010; PFM Act 2012 and regulations	Hybrid constitutional and statutory	National and county	Legislative and oversight institutions
Nigeria	Fiscal Responsibility Act 2007	Hybrid numerical and procedural	Federal and scheduled corporations; state adoption encouraged	FRC, executive, legislature, and prosecutorial institutions

CHAPTER THREE

Comparative Analysis

3.1 Analytical Distinction

A meaningful comparative assessment of fiscal responsibility legislation requires a clear distinction between **formal legal enforceability** and **practical institutional effectiveness**. Formal legal enforceability refers to the statutory rules, sanctions, oversight powers, and legal mechanisms established to secure compliance with fiscal obligations. Practical institutional effectiveness, however, concerns the consistency with which these legal provisions are implemented and whether they influence actual fiscal behavior. Brazil represents the strongest example of formal legal enforceability, with comprehensive numerical fiscal rules, administrative and criminal sanctions, and enforcement distributed among legislatures, audit courts, prosecutors, the judiciary, and internal control institutions. Conversely, New Zealand demonstrates that effective fiscal governance does not necessarily depend on severe legal penalties. Despite relying on relatively limited punitive sanctions, it achieves exceptionally high compliance through timely fiscal reporting, mandatory public explanations for policy deviations, independent audit, strong parliamentary scrutiny, transparent disclosure, and credible political and reputational accountability. This analytical distinction provides the foundation

for evaluating both the design and the real-world performance of fiscal responsibility frameworks in the selected jurisdictions.

Table 3.1: Formal Sanctions and Practical Effectiveness

Country	Formal legal sanctions	Practical institutional effectiveness	Overall observation
New Zealand	Low to moderate	Very high	Transparency and credibility compensate for limited punitive sanctions.
Australia	Low to moderate	High	Strong reporting and parliamentary scrutiny.
Brazil	High	Moderate to high	Strong legal framework, though political and economic pressures affect implementation.
India	Moderate	Moderate	Targets and reporting are meaningful but periodically adjusted.
Kenya	Moderate	Moderate	National and county oversight exists, with continuing debt and compliance pressures.
Nigeria	Low to moderate	Low	Important statutory powers exist, but sanctions and follow-through are weak.

3.2 Fiscal Rules

India and Brazil expressly recognize that exceptional economic, financial, or national emergencies may require temporary departures from established fiscal rules, while providing statutory procedures for restoring fiscal discipline once normal conditions resume (Government of India, 2003, as amended; Brazil, Fiscal Responsibility Law No. 101/2000). New Zealand similarly permits

departures from its principles of responsible fiscal management, provided the Government publicly explains the reasons for the deviation, assesses the expected fiscal impact, and presents a credible strategy for returning to its long-term fiscal objectives (New Zealand Public Finance Act 1989, ss. 26G–26N). By comparison, Nigeria's Fiscal Responsibility Act 2007 contains no comprehensive statutory escape clause specifying the circumstances under which fiscal rules may be temporarily suspended. Reform should therefore establish clearly defined qualifying events, legislative approval requirements, quantitative limits on permissible deviations, mandatory public disclosure, independent oversight, and a legally binding, time-bound fiscal correction and recovery pathway consistent with international best practices (IMF, 2018; OECD, 2015).

3.3 Transparency and Reporting

All six countries require medium-term, annual, or periodic fiscal reporting, but their effectiveness differs significantly in terms of timeliness, accuracy, accessibility, comprehensiveness, and the consequences of incomplete disclosure. New Zealand and Australia place strong emphasis on transparent, regular, and forward-looking fiscal reporting, requiring governments to explain fiscal developments, deviations from objectives, and future policy intentions. Brazil complements comprehensive reporting obligations with stronger legal

enforcement and sanctions for non-compliance, thereby enhancing accountability. Nigeria's reform priority should therefore extend beyond formal publication requirements. It should include timely, machine-readable fiscal data; consistent reconciliation across the Federal Ministry of Finance, Budget Office of the Federation, Debt Management Office, Office of the Accountant-General of the Federation, and the Fiscal Responsibility Commission; regular public fiscal risk statements; comprehensive disclosure of contingent liabilities and quasi-fiscal activities; and enforceable legal consequences for delayed, incomplete, or misleading fiscal reporting. Such reforms would strengthen transparency, improve fiscal credibility, and enhance public accountability in line with international best practices (IMF, 2018; OECD, 2015; PEFA Secretariat, 2022; Fiscal Responsibility Act, 2007).

3.4 Escape Clauses and Correction Mechanisms

India and Brazil expressly recognize that exceptional economic or national emergencies may require temporary departures from fiscal rules, while establishing legal procedures to restore fiscal discipline. New Zealand similarly permits departures from responsible fiscal management principles, provided the Government publicly explains the reasons, outlines the expected fiscal impact, and presents a credible plan for returning to its long-term fiscal objectives. By comparison, Nigeria's Fiscal Responsibility Act contains no

comprehensive statutory escape clause. Reform should therefore establish clearly defined qualifying events, legislative approval requirements, quantitative limits on deviations, mandatory public disclosure, independent oversight, and a legally binding, time-bound fiscal correction and recovery pathway.

3.5 Institutional Independence

Institutional independence extends beyond the formal establishment of a fiscal oversight body. It encompasses a clear statutory mandate, secure and predictable funding, adequate technical and analytical capacity, unrestricted access to fiscal information, operational autonomy, and protection from political interference. These characteristics are widely recognised as essential for credible fiscal oversight and effective enforcement of fiscal responsibility legislation (OECD, 2015; IMF, 2018). Nigeria's Fiscal Responsibility Commission (FRC) possesses a statutory mandate under the Fiscal Responsibility Act 2007 to monitor compliance with fiscal rules, promote transparency, and investigate violations. However, its effectiveness remains constrained by limited budgetary resources, insufficient technical capacity, delayed access to fiscal data, and dependence on other institutions, particularly the Attorney-General and anti-corruption agencies, for prosecution and the imposition of sanctions. Strengthening the Commission, therefore,

requires enhanced financial autonomy, statutory powers to obtain timely fiscal information, improved institutional capacity, and stronger enforcement mechanisms to enable it to perform its oversight responsibilities independently and effectively (Fiscal Responsibility Act, 2007; IMF, 2018; OECD, 2015).

3.6 Federal and Subnational Coverage

Brazil provides the most comprehensive and integrated framework for fiscal responsibility across all levels of government, with its Fiscal Responsibility Law applying uniformly to the federal government, states, municipalities, and their respective entities, thereby promoting consistent fiscal discipline and coordinated debt management (Brazil, Fiscal Responsibility Law No. 101/2000). Kenya similarly embeds fiscal responsibility within its constitutional framework and the Public Finance Management Act, ensuring that both the national government and county governments operate under harmonized fiscal rules and reporting requirements (Constitution of Kenya, 2010; Public Finance Management Act, 2012). India adopts a cooperative approach by combining the central Fiscal Responsibility and Budget Management (FRBM) Act with corresponding fiscal responsibility legislation enacted by individual states, thereby extending fiscal discipline throughout the federation while allowing flexibility for state-specific circumstances (Government of India, 2003, as amended).

By contrast, Nigeria's Fiscal Responsibility Act 2007 encourages states to adopt similar legislation but does not establish a fully integrated national fiscal compliance architecture. Consequently, implementation remains uneven across subnational governments, with varying levels of compliance, reporting quality, and fiscal oversight. This institutional gap is particularly significant in the management of subnational debt, government guarantees, expenditure arrears, contingent liabilities, and state-owned enterprises, all of which can create substantial fiscal risks for the federation. Strengthening fiscal coordination between the federal and state governments through harmonized reporting standards, consolidated fiscal monitoring, and nationally coordinated oversight would significantly improve fiscal sustainability and accountability (Fiscal Responsibility Act, 2007; IMF, 2018; OECD, 2015).

Table 3.2: Comparative Evaluation Matrix

Indicator	NZ	Australia	Brazil	India	Kenya	Nigeria
Clarity of fiscal rules	High	Moderate	Very high	High	High	Moderate
Transparency obligations	Very high	Very high	High	High	High	Moderate
Formal sanctions	Low	Low	Very high	Moderate	Moderate	Low–moderate
Escape/correction framework	High	Moderate	High	High	Moderate	Low–moderate
Subnational integration	Not applicable/unitary	Coordinated federation	Very high	Mixed	High	Low
Institutional effectiveness	Very high	High	Moderate–high	Moderate	Moderate	Low

CHAPTER FOUR

Nigeria's Compliance and Enforcement Experience

4.1 Medium-Term Fiscal Planning and Budget Credibility

The Medium-Term Expenditure Framework (MTEF) is central to Nigeria's statutory fiscal architecture. Sections 11–16 of the Fiscal Responsibility Act 2007 require the Federal Government to prepare a three-year framework that includes macroeconomic projections, fiscal policy objectives, revenue and expenditure estimates, debt and contingent liability information, and the basis for preparing the annual budget (Fiscal Responsibility Act, 2007). Its effectiveness, however, depends on the realism of the underlying macroeconomic and revenue assumptions, timely consideration and approval by the National Assembly, and a credible link between the medium-term framework, sector strategies, and annual appropriations. Repeated revisions to benchmark assumptions, optimistic revenue projections, supplementary appropriations, overlapping budget implementation periods, and weak monitoring of actual performance can undermine expenditure predictability and reduce the MTEF's disciplinary value. Recent fiscal assessments have similarly emphasized the importance of credible revenue forecasts, stronger expenditure controls, comprehensive fiscal risk reporting, and closer alignment between approved budgets and actual fiscal outcomes in Nigeria (Budget

Office of the Federation, 2025; International Monetary Fund [IMF], 2026; World Bank, 2022).

4.2 Deficit, Borrowing, and Debt Sustainability

The Fiscal Responsibility Act 2007 establishes statutory controls over fiscal deficits, public borrowing, and debt management by requiring that government borrowing be undertaken only for capital expenditure and human development purposes and on concessional terms where possible (Fiscal Responsibility Act, 2007, ss. 41–45). These provisions are intended to promote long-term fiscal sustainability by limiting the use of debt for recurrent expenditure and ensuring that borrowed funds generate productive economic and social returns. Nevertheless, the effectiveness of these safeguards depends not only on legal compliance but also on the quality of fiscal planning, debt management, and institutional oversight.

Effective implementation, therefore, requires a comprehensive and transparent debt sustainability analysis that extends beyond the conventional debt-to-GDP ratio. A robust assessment should incorporate the size and composition of the public debt stock, debt-service obligations relative to government revenue, refinancing and exchange-rate risks, fiscal deficits, accumulated expenditure arrears, government guarantees, contingent liabilities arising from public-private partnerships and state-owned enterprises, and other quasi-fiscal

obligations that may eventually crystallise into public debt. Furthermore, fiscal oversight should integrate both federal and subnational debt exposures to provide a comprehensive assessment of Nigeria's consolidated public sector liabilities. Such an approach is consistent with international best practices advocated by the International Monetary Fund and the World Bank, which emphasise broader fiscal risk analysis, transparent disclosure, and comprehensive public sector balance sheet management as essential components of sustainable fiscal policy (International Monetary Fund, 2018; International Monetary Fund & World Bank, 2021; World Bank, 2022).

4.3 Operating-Surplus Remittances

Scheduled corporations are required under the Fiscal Responsibility Act 2007 to prepare annual revenue and expenditure estimates, operate in accordance with approved financial plans, and remit a prescribed proportion of their operating surpluses to the Consolidated Revenue Fund (Fiscal Responsibility Act, 2007, ss. 21–24). These provisions are intended to strengthen fiscal discipline, improve transparency in the management of government-owned enterprises, and enhance non-oil revenue mobilization. In practice, however, compliance has historically been uneven due to inconsistent methods for calculating operating surpluses, delayed or incomplete financial reporting, weak enforcement mechanisms, and limited oversight of government-owned

enterprises. Strengthening implementation, therefore, requires standardized rules for computing operating surpluses, automated reconciliation between corporate financial statements and the Treasury Single Account, regular publication of entity-level compliance reports, independent verification of remittances, and clear personal accountability for chief executive officers, finance directors, and accounting officers responsible for certifying statutory returns. These measures are consistent with international principles of public financial management, which emphasize transparency, standardization, and individual accountability in the governance of state-owned enterprises and public corporations (Fiscal Responsibility Act, 2007; OECD, 2015; International Monetary Fund, 2018).

4.4 Fiscal Reporting and Data Quality

Accurate, timely, and comprehensive fiscal information is fundamental to effective fiscal responsibility and oversight. Delayed, incomplete, or inconsistent reporting significantly limits the Fiscal Responsibility Commission's (FRC) ability to identify statutory breaches, assess emerging fiscal risks, monitor compliance with the Fiscal Responsibility Act 2007, and provide credible advice to the Executive and National Assembly. Poor data quality also weakens legislative oversight, reduces public confidence in fiscal management, and undermines transparency and accountability across the

public sector (Fiscal Responsibility Act, 2007; International Monetary Fund [IMF], 2018).

To strengthen compliance monitoring, the FRC should be granted secure, read-only, real-time access to relevant government financial management systems, including the Integrated Personnel and Payroll Information System (IPPIS), Government Integrated Financial Management Information System (GIFMIS), Treasury Single Account (TSA), Budget Office databases, Debt Management Office (DMO) records, Office of the Accountant-General of the Federation (OAGF) financial reports, and other relevant fiscal information platforms, subject to appropriate cybersecurity and data governance safeguards. Such institutional access would enable continuous monitoring of fiscal performance rather than reliance on periodic submissions from reporting entities.

In addition, the Commission should publish standardized digital compliance dashboards presenting key fiscal indicators, including reporting timeliness, operating surplus remittances by scheduled corporations, fiscal deficits, borrowing activities, public debt indicators, government guarantees, contingent liabilities, implementation of Medium-Term Expenditure Framework (MTEF) targets, and the status of unresolved audit and compliance findings. Publicly accessible dashboards would improve transparency, facilitate evidence-based

legislative scrutiny, strengthen public accountability, and enable early identification of fiscal risks. These reforms are consistent with international best practices promoting open fiscal data, integrated public financial management information systems, and technology-enabled fiscal oversight to improve government accountability and fiscal sustainability (IMF, 2018; OECD, 2015; PEFA Secretariat, 2022)

4.5 Enforcement Powers and Institutional Coordination

The Fiscal Responsibility Commission (FRC) is empowered under the Fiscal Responsibility Act 2007 to require the production of information and records from public institutions, investigate suspected violations of the Act, and forward reports of offences requiring criminal prosecution to the Attorney-General of the Federation (Fiscal Responsibility Act, 2007, ss. 51–53). These statutory powers provide an important legal foundation for fiscal oversight and enforcement. However, the effectiveness of the enforcement framework depends on the timely cooperation of multiple institutions, including the Office of the Attorney-General of the Federation, the Auditor-General for the Federation, the Office of the Accountant-General of the Federation, anti-corruption agencies, and the National Assembly. Delays between investigation, referral, prosecution, and the imposition of sanctions can

significantly weaken deterrence, reduce accountability, and undermine confidence in the fiscal responsibility regime.

To strengthen enforcement, formal inter-agency protocols or memoranda of understanding should establish clear timelines for referrals and investigations, standardized evidentiary requirements, mandatory reporting obligations, and defined escalation procedures among the Fiscal Responsibility Commission, the Attorney-General of the Federation, the Economic and Financial Crimes Commission (EFCC), the Independent Corrupt Practices and Other Related Offences Commission (ICPC), the Office of the Auditor-General for the Federation, the Office of the Accountant-General of the Federation, the Budget Office of the Federation, and the relevant committees of the National Assembly. Such protocols should include mechanisms for tracking the progress of referred cases, periodic public reporting on enforcement outcomes, and regular inter-agency coordination to ensure the timely resolution of fiscal violations. These reforms are consistent with international good practices, which emphasize institutional coordination, legal certainty, and timely enforcement as essential elements of effective fiscal governance and accountability (Fiscal Responsibility Act, 2007; International Monetary Fund [IMF], 2018; OECD, 2015; PEFA Secretariat, 2022).

4.6 Federal–State Fiscal Coordination

Nigeria's federal system assigns significant fiscal responsibilities to state governments, yet the adoption and implementation of fiscal responsibility legislation remain uneven across the federation. While several states have enacted Fiscal Responsibility Laws, the scope of their provisions, institutional capacity, reporting practices, and levels of compliance vary considerably. This inconsistency limits the effectiveness of nationwide fiscal oversight, complicates the assessment of consolidated public finances, and increases the risk that fiscal vulnerabilities at the subnational level—including excessive borrowing, expenditure arrears, and contingent liabilities—may ultimately affect national macroeconomic stability (Fiscal Responsibility Act, 2007; World Bank, 2022).

To strengthen fiscal coordination while respecting the constitutional autonomy of states, Nigeria could establish a **National Fiscal Responsibility Index** that benchmarks state performance against a standardized set of fiscal governance indicators. These indicators include the timely publication of audited financial statements, compliance with fiscal responsibility legislation, debt sustainability metrics, budget credibility, management of operating surplus, transparency in fiscal reporting, disclosure of guarantees and contingent liabilities, and adherence to borrowing limits. Annual publication of state performance

rankings would promote transparency, encourage peer learning, and create positive incentives for improved fiscal management.

Furthermore, access to selected federal guarantees, intervention funds, concessional financing, and special fiscal support programmes could be made conditional upon compliance with minimum fiscal transparency, debt reporting, and financial management standards. Such performance-based incentives would reinforce responsible fiscal behaviour without undermining the constitutional independence of state governments. Similar approaches have been adopted in several federal systems to strengthen intergovernmental fiscal discipline while preserving subnational autonomy. By promoting harmonized reporting standards, integrated fiscal risk monitoring, and cooperative fiscal governance, these reforms would enhance accountability, improve debt sustainability, and strengthen the resilience of Nigeria's overall public finance system (International Monetary Fund [IMF], 2018; OECD, 2015; World Bank, 2022).

4.7 Public Accountability

Public accountability is a fundamental pillar of effective fiscal responsibility because transparent and accessible fiscal information enables citizens, legislators, civil society organizations, professional bodies, researchers, and

the media to monitor government performance and hold public officials accountable. The Fiscal Responsibility Act 2007 seeks to promote transparency in public financial management; however, the practical impact of fiscal disclosure depends not only on the availability of information but also on its timeliness, accessibility, accuracy, and ease of understanding by non-specialist audiences (Fiscal Responsibility Act, 2007; International Monetary Fund [IMF], 2018).

To strengthen public oversight, the Fiscal Responsibility Commission (FRC) should complement its statutory reports with simplified citizen-friendly summaries of key fiscal developments, interactive online dashboards, open and machine-readable datasets, annual compliance scorecards for Ministries, Departments, and Agencies (MDAs), enforcement statistics, and periodic follow-up reports on the implementation of its recommendations. Regular publication of these materials would improve transparency, facilitate independent research, encourage evidence-based public debate, and strengthen confidence in Nigeria's fiscal governance framework. In addition, the National Assembly should institutionalize periodic public hearings on fiscal performance, implementation of the Medium-Term Expenditure Framework (MTEF), debt sustainability, operating surplus remittances, and compliance with the Fiscal Responsibility Act. Such hearings should involve the Fiscal

Responsibility Commission, the Ministry of Finance, the Budget Office of the Federation, the Debt Management Office, the Office of the Accountant-General of the Federation, civil society organizations, professional accounting bodies, academia, and the media. These measures reflect international best practices, which emphasize proactive fiscal transparency, open government data, stakeholder participation, and legislative scrutiny as essential mechanisms for strengthening accountability, improving compliance, and promoting sustainable public financial management (OECD, 2015; IMF, 2018; Open Budget Survey, 2023; PEFA Secretariat, 2022).

CHAPTER FIVE

Gaps, Challenges, and Reform Options

Table 5.1: Nigeria's Principal Gaps and Reform Options

Gap	Effect	Proposed response
Weak practical sanctions	The Act contains monitoring and investigative powers, but breaches frequently lack timely and visible consequences.	Create administrative penalties, compliance notices, correction orders, and public naming provisions, subject to due process.
Fragmented enforcement	Several institutions hold parts of the enforcement mandate.	Adopt inter-agency protocols with deadlines, case-tracking, and mandatory feedback to the FRC.
Unclear escape and correction framework	Economic shocks can produce ad hoc departures from fiscal rules.	Define qualifying events, approval procedures, disclosure duties, and time-bound return paths.
Data access and quality	Delayed, inconsistent, and non-interoperable data constrain monitoring.	Provide secure system access, common reporting templates, and automated reconciliation.
Fiscal risks outside the core budget	Guarantees, PPPs, SOEs, and tax expenditures may be incompletely disclosed.	Require an annual consolidated fiscal-risk statement and register of contingent liabilities.
Weak subnational integration	State compliance varies, and national exposure is difficult to assess.	Develop common minimum standards, a state compliance index, and incentive-linked support.
Institutional capacity and funding	Technical and financial constraints reduce the Commission's reach.	Provide predictable funding, specialized staff, and a multi-year capacity plan.
Limited public engagement	Technical reports are not always accessible to citizens.	Publish plain-language summaries, open data, and public hearing outcomes.

5.1 Design Principles for Reform

The reform of Nigeria's Fiscal Responsibility Act should be guided by internationally recognized principles of sound fiscal governance, while taking account of the country's constitutional structure, institutional capacity, and fiscal realities. Effective fiscal responsibility legislation should strike an appropriate balance between flexibility and discipline, ensuring that fiscal rules remain credible, enforceable, and adaptable to changing economic circumstances (International Monetary Fund [IMF], 2018; Organization for Economic Co-operation and Development [OECD], 2015).

First, fiscal rules should be sufficiently simple to facilitate monitoring and enforcement while remaining comprehensive enough to capture significant fiscal risks. This requires clearly defined fiscal objectives, measurable performance indicators, and comprehensive coverage of public debt, contingent liabilities, guarantees, state-owned enterprises, and subnational fiscal exposures rather than reliance on a single fiscal indicator such as the debt-to-GDP ratio (IMF, 2018).

Second, statutory escape clauses should be narrowly defined and applied only in exceptional, objectively verifiable circumstances, such as severe economic shocks, natural disasters, or national security emergencies. Any temporary

suspension of fiscal rules should be subject to legislative approval, mandatory public disclosure, independent assessment, clearly specified quantitative limits, and a legally binding fiscal correction plan with defined timelines for restoring compliance (OECD, 2015; New Zealand Public Finance Act 1989; Government of India, 2003, as amended).

Third, sanctions should be proportionate, credible, and enforceable. The legal framework should distinguish between administrative, civil, and criminal violations while ensuring that responsibility is assigned to the public institutions and to the accounting officers directly responsible for non-compliance. Timely enforcement mechanisms and transparent reporting of sanctions are essential to strengthen deterrence and reinforce accountability (Fiscal Responsibility Act, 2007; IMF, 2018).

Fourth, independent fiscal analysis should complement rather than duplicate existing oversight mechanisms. The Fiscal Responsibility Commission, the Office of the Auditor-General for the Federation, legislative oversight committees, and other accountability institutions should perform distinct but coordinated roles. The Commission should focus primarily on fiscal monitoring, compliance assessment, and policy advice, while external audit institutions continue to provide independent assurance over financial reporting and public expenditure (OECD, 2015; PEFA Secretariat, 2022).

Finally, digital integration should become a central feature of fiscal governance. Secure interoperability among the Government Integrated Financial Management Information System (GIFMIS), Treasury Single Account (TSA), Budget Office platforms, Debt Management Office databases, Office of the Accountant-General of the Federation, and the Fiscal Responsibility Commission would significantly improve the quality, consistency, and timeliness of fiscal information. Such integration should incorporate robust cybersecurity safeguards, data governance standards, and constitutional protections while enabling real-time compliance monitoring, automated reconciliation, and evidence-based fiscal oversight (IMF, 2018; OECD, 2015; PEFA Secretariat, 2022).

5.2 Key Gaps in Nigeria's Fiscal Responsibility Framework

Table 5.2: Nigeria's Principal Fiscal Governance Gaps and Reform Options

Gap	International Best Practice	Current Nigerian Position	Recommended Reform
Weak enforcement	Brazil—legal sanctions	Limited prosecutorial powers	Introduce administrative and civil sanctions
Weak oversight	Independent fiscal councils	FRC with limited independence	Strengthen FRC autonomy and resources
Transparency gaps	Comprehensive fiscal reporting	Inconsistent reporting	Mandatory digital disclosure
State compliance	National subnational coordination	Uneven state implementation	Harmonized state FR laws
Debt sustainability	Formal debt rules	Growing debt burden	Debt sustainability framework

Nigeria's Fiscal Responsibility Act (FRA) 2007 represented a significant milestone in promoting fiscal discipline, transparency, and accountability in public financial management. Nevertheless, nearly two decades after its enactment, several structural and operational deficiencies have limited its effectiveness. Although the Act establishes fiscal rules governing borrowing, budget preparation, debt management, and reporting obligations, many of its provisions lack robust enforcement mechanisms. Compliance largely depends on voluntary adherence by public institutions, and violations rarely result in meaningful sanctions. Consequently, the Act has not consistently influenced fiscal behavior across ministries, departments, and agencies (MDAs) or subnational governments.

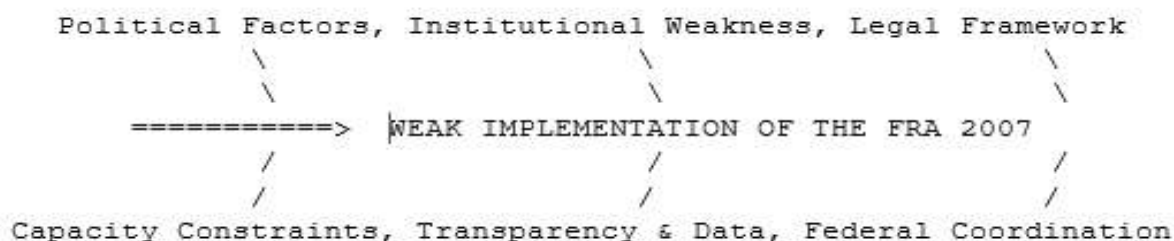
Institutional weaknesses have further undermined the Act's implementation. The Fiscal Responsibility Commission (FRC), established to monitor compliance, faces constraints relating to financial autonomy, staffing, technical capacity, and enforcement authority. The Commission's recommendations are largely advisory, limiting its ability to compel compliance or initiate corrective actions. Furthermore, coordination among the Budget Office, the Debt Management Office, the Office of the Accountant-General, the Auditor-General, and state governments remains fragmented, resulting in inconsistencies in fiscal reporting and oversight.

Transparency also remains uneven despite statutory reporting obligations. Fiscal reports are often published late, fiscal risks are inadequately disclosed, and contingent liabilities receive limited public scrutiny. Moreover, while the Act primarily targets the Federal Government, implementation at the state level remains inconsistent because adoption of fiscal responsibility legislation varies across states. These legal, institutional, and operational gaps reduce the overall effectiveness of Nigeria's fiscal governance framework and underscore the need for comprehensive reforms.

5.3 Emerging Fiscal Governance Challenges

Figure 5.1: Fishbone Diagram – Causes of Weak Implementation of the Fiscal Responsibility Act 2007

Illustrative fishbone diagram identifying the principal causes of weak implementation of Nigeria's Fiscal Responsibility Act 2007.



Summary of Causes

- Political Factors: Weak political commitment, election-cycle spending, and executive interference.
- Institutional Weakness: Limited autonomy and funding of the Fiscal Responsibility Commission and weak enforcement.
- Legal Framework: Limited sanctions, ambiguous provisions, and inadequate compliance mechanisms.
- Capacity Constraints: Insufficient technical capacity, staffing, and digital infrastructure.
- Transparency & Data: Delayed fiscal reporting, incomplete fiscal risk disclosure, and limited public access to information.
- Federal Coordination: Uneven implementation across states and weak intergovernmental coordination.

Nigeria's fiscal environment has evolved considerably since the enactment of the Fiscal Responsibility Act in 2007. Increasing public debt, volatile oil revenues, foreign exchange fluctuations, climate-related risks, and recurring macroeconomic shocks have created new fiscal pressures that were not fully anticipated when the legislation was drafted. Consequently, existing fiscal rules require modernization to address contemporary challenges that affect fiscal sustainability and public sector resilience.

One of the most significant emerging challenges is the growing complexity of fiscal risks arising from state-owned enterprises, public-private partnerships (PPPs), contingent liabilities, and government guarantees. These obligations can impose substantial future costs on public finances but are often insufficiently captured within conventional budget reporting. Similarly, the increasing frequency of external shocks, including global pandemics, geopolitical instability, commodity price volatility, and climate-related disasters, requires more flexible yet credible fiscal frameworks capable of balancing fiscal discipline with emergency responsiveness.

Technological developments also present new opportunities and challenges for fiscal governance. Advances in digital public finance management systems, open data platforms, artificial intelligence, and real-time financial reporting have transformed international standards for fiscal transparency. Nigeria's

fiscal governance framework should therefore evolve to incorporate digital disclosure mechanisms, integrated financial information systems, and data-driven monitoring tools that improve accountability while enabling more effective public oversight.

5.4 International Benchmarking Against Global Fiscal Governance Standards

While the comparative assessment of fiscal responsibility legislation provides valuable insights into national experiences, evaluating Nigeria's Fiscal Responsibility Act 2007 against internationally accepted fiscal governance standards offers an additional perspective on its strengths and limitations. International organisations such as the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD), Public Expenditure and Financial Accountability (PEFA), and the Open Budget Survey have developed globally recognised principles for promoting fiscal transparency, accountability, sustainability, and sound public financial management. Benchmarking Nigeria's fiscal framework against these standards enables the identification of institutional gaps that may not be evident through comparative legal analysis alone and provides a basis for recommending reforms consistent with global best practice.

Table 5.3: International Benchmarking of Nigeria's Fiscal Responsibility Framework

International Standard	Core Principle	Nigeria's Current Position	Gap Identified	Recommended Reform
IMF Fiscal Transparency Code	Comprehensive fiscal reporting, fiscal risk disclosure, and transparent budgeting	Fiscal reports are published, but disclosure of fiscal risks, contingent liabilities, and quasi-fiscal activities remains incomplete.	Limited transparency regarding SOEs, guarantees, and fiscal risks.	Mandate comprehensive annual Fiscal Risk Statements and strengthen public disclosure requirements.
OECD Principles	Medium-term budgeting, performance orientation, independent scrutiny, and citizen participation	The Medium-Term Expenditure Framework exists, but implementation is inconsistent, and public participation remains limited.	Weak performance budgeting and insufficient independent fiscal oversight.	Strengthen medium-term budgeting, establish an independent Fiscal Council, and improve citizen engagement.
PEFA Framework	Credible budgets, effective internal controls, reliable financial reporting, and external oversight	Improvements have been recorded, but weaknesses remain in budget credibility, procurement oversight, and audit follow-up.	Weak implementation and institutional capacity.	Improve budget execution, internal controls, audit follow-up, and digital public financial management systems.
Open Budget Index	Public access to budget information, participation, and legislative oversight	Nigeria has improved budget transparency, but public participation and oversight remain below international best practice.	Limited citizen participation and accessibility of fiscal information.	Publish citizen-friendly budgets, strengthen open-data platforms, and institutionalise public consultations.

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5.4.1 Analytical Discussion

The benchmarking exercise demonstrates that Nigeria's Fiscal Responsibility Act broadly reflects internationally recognised principles of fiscal discipline and transparency. Nevertheless, implementation gaps continue to undermine its effectiveness. Across all four international frameworks, the most significant deficiencies relate to institutional enforcement, fiscal risk disclosure, public participation, digital reporting, and independent oversight. These findings reinforce the comparative analysis presented earlier in this dissertation and further justify the legislative and institutional reforms proposed in subsequent sections.

5.5 Stakeholder Analysis

The successful implementation of fiscal responsibility legislation depends on coordinated efforts among multiple public institutions, oversight bodies, subnational governments, and non-state actors. Although the Fiscal Responsibility Commission plays the statutory monitoring role, effective fiscal governance requires collaboration among institutions responsible for budgeting, debt management, auditing, legislative oversight, and public accountability. Understanding the interests, influence, and responsibilities of these stakeholders is therefore essential for designing realistic and sustainable reform strategies.

5.5.1 Analytical Discussion

The stakeholder analysis highlights that fiscal responsibility is not solely the responsibility of the Fiscal Responsibility Commission but rather a shared governance function involving multiple institutions with complementary mandates. While the Ministry of Finance, the National Assembly, the Budget Office, and the Debt Management Office possess considerable formal influence over fiscal policy, long-term success also depends on strengthening the Auditor-General's oversight functions, expanding civil society's monitoring role, and improving citizen engagement. Effective reform will therefore require coordinated institutional action,

clearly defined responsibilities, adequate funding, and sustained political commitment.

Table 5.4: Stakeholder Analysis for Fiscal Responsibility Reform

Stakeholder	Primary Interest	Level of Influence	Principal Role in Fiscal Responsibility
Fiscal Responsibility Commission	Enforcement of fiscal discipline and statutory compliance	Very High	Monitor compliance, investigate breaches, publish fiscal reports, recommend sanctions, and advise the government.
Federal Ministry of Finance	Macroeconomic stability, fiscal sustainability, and policy coordination	Very High	Coordinate fiscal policy, oversee implementation of the Fiscal Responsibility Act, and manage fiscal reforms.
Budget Office of the Federation	Budget preparation, execution, and monitoring	High	Prepare annual budgets, Medium-Term Expenditure Frameworks, and Fiscal Strategy Papers consistent with the Act.
National Assembly	Legislative oversight and accountability	Very High	Enact amendments, approve budgets, scrutinize fiscal reports, and hold the Executive accountable.
Debt Management Office	Sustainable public debt management	High	Conduct debt sustainability analysis, monitor borrowing limits, and advise on debt policy.
Office of the Auditor-General	Independent assurance and financial accountability	High	Audit public finances, identify irregularities, and report compliance with fiscal laws.
State Governments	Fiscal autonomy and subnational development	High	Implement state fiscal responsibility laws, maintain fiscal discipline, and improve reporting standards.
Civil Society Organizations (CSOs)	Transparency, accountability, and citizen participation	Medium	Monitor government performance, advocate for reforms, and strengthen public accountability.
Development Partners (IMF, World Bank, AfDB, OECD)	Sound public financial management and macroeconomic stability	Medium	Provide technical assistance, policy advice, capacity building, and financial support for reforms.
Media	Public information and accountability	Medium	Disseminate fiscal information, increase public awareness, and expose non-compliance.
Private Sector and Investors	Predictable fiscal policy and macroeconomic stability	Medium	Respond to fiscal credibility through investment decisions and advocate for stable fiscal governance.
Citizens and Taxpayers	Efficient utilisation of public resources	Low (Direct); /Collective High	Demand accountability through elections, public consultations, and civic engagement.

5.6 Comparative Reform Lessons from International Best Practices

The comparative analysis undertaken in Chapter Four demonstrates that there is no universally applicable model of fiscal responsibility legislation. Instead, countries have developed reform approaches that reflect their constitutional arrangements, political systems, and administrative capacities. Nevertheless, several common characteristics emerge among jurisdictions that have successfully maintained fiscal discipline, including strong transparency frameworks, independent oversight institutions, enforceable fiscal rules, and credible correction mechanisms.

New Zealand and Australia illustrate how transparency and medium-term fiscal planning can promote policy credibility without relying heavily on punitive sanctions. Regular publication of fiscal strategies, comprehensive fiscal risk disclosures, and independent parliamentary scrutiny have contributed to sustained public confidence in fiscal management. Brazil, by contrast, demonstrates the effectiveness of legally enforceable borrowing limits and sanctions that directly influence government behaviour. India and Kenya further illustrate the importance of adapting fiscal responsibility legislation to accommodate federal or devolved systems while maintaining national fiscal objectives.

For Nigeria, the principal lesson is not to replicate any single model but rather to adopt a selective and context-sensitive reform strategy. International best practices should be adapted to Nigeria's institutional realities, administrative capacity, and constitutional framework. Such an approach would strengthen the credibility of fiscal rules while ensuring that reforms remain politically feasible and administratively implementable.

CHAPTER SIX

Recommendations and Conclusion

6.1 Legislative Amendments

A comprehensive review of the Fiscal Responsibility Act 2007 should modernize Nigeria's fiscal governance framework by strengthening enforcement mechanisms, improving fiscal transparency, and aligning the legislation with evolving international standards of public financial management. While the Act has established an important legal foundation for fiscal discipline, experience over the past decade demonstrates that several provisions require clarification, stronger enforcement powers, and more comprehensive fiscal risk management to enhance compliance and accountability (Fiscal Responsibility Act, 2007; International Monetary Fund [IMF], 2018).

First, the Act should be amended to empower the Fiscal Responsibility Commission (FRC) to issue administrative compliance notices, corrective directives, and proportionate administrative sanctions for non-compliance, subject to statutory review procedures and principles of natural justice. Such powers would enable the Commission to resolve routine compliance failures without relying exclusively on criminal prosecution, thereby improving the

timeliness and effectiveness of enforcement while preserving the rights of affected institutions and officers (OECD, 2015).

Second, the legislation should clearly define the relationship between fiscal deficit limits, public borrowing, debt sustainability, government guarantees, expenditure arrears, contingent liabilities, and quasi-fiscal obligations. Rather than regulating these issues independently, the Act should establish an integrated fiscal risk management framework that enables policymakers to assess the cumulative impact of explicit and implicit government liabilities on long-term fiscal sustainability. This approach would better reflect international best practices in sovereign fiscal risk management (IMF, 2018; World Bank, 2022).

Third, the Act should introduce a comprehensive statutory escape clause specifying the exceptional circumstances under which temporary departures from fiscal rules may be permitted. Qualifying events should include severe economic recessions, natural disasters, public health emergencies, national security crises, and other objectively defined circumstances. Activation of the escape clause should require legislative approval, mandatory public disclosure, an independent assessment of fiscal impacts, clearly defined quantitative limits, and a legally binding fiscal correction plan for restoring

compliance within a specified period (New Zealand Public Finance Act 1989; Government of India, 2003, as amended; OECD, 2015).

Fourth, whenever a fiscal rule is breached or an escape clause is invoked, the responsible authority should be required to publish a transparent fiscal correction and recovery plan. Such a plan should explain the reasons for the deviation, quantify its fiscal implications, establish measurable corrective actions, identify responsible institutions, specify implementation timelines, and provide regular progress reports to the National Assembly and the public. This requirement would strengthen transparency and reinforce fiscal credibility (IMF, 2018).

Fifth, the Act should reinforce personal accountability by strengthening the statutory responsibilities of accounting officers, chief executive officers of scheduled corporations, and other certifying officials. Individuals who knowingly submit false, misleading, incomplete, or late fiscal information should be subject to clearly defined administrative, civil, or criminal sanctions, depending on the nature and severity of the violation. Such provisions would improve the reliability of fiscal reporting and reinforce a culture of professional accountability throughout the public sector (Fiscal Responsibility Act, 2007; OECD, 2015).

Finally, the legislation should require the preparation and publication of an annual **Consolidated Fiscal Risk Statement** covering all significant sources of fiscal exposure. In addition to public debt, the statement should disclose government guarantees, contingent liabilities, public-private partnership commitments, state-owned enterprise risks, tax expenditures, litigation exposure, natural disaster risks, and other material fiscal obligations that could affect the sustainability of public finances. Comprehensive fiscal risk reporting would improve policy decision-making, enhance legislative oversight, strengthen investor confidence, and align Nigeria's fiscal reporting framework with international standards of fiscal transparency and accountability (IMF, 2018; OECD, 2015; World Bank, 2022).

Figure 6.1: Implementation Timeline for Reform of Nigeria’s Fiscal Responsibility Framework

Reform Activity	Short-term (0–12 months)	Medium-term (1–3 years)	Long-term (3–5 years)
Amend the Fiscal Responsibility Act	■ ■ ■		
Strengthen the Fiscal Responsibility Commission	■ ■ ■	■ ■ ■	
Establish Administrative Sanctions Framework	■ ■ ■		
Digital Fiscal Reporting Platform		■ ■ ■	■
Strengthen Debt Sustainability Framework		■ ■ ■	■ ■ ■
Harmonise State Fiscal Responsibility Laws		■ ■ ■	■ ■ ■
Capacity Building for MDAs	■ ■ ■	■ ■ ■	■ ■ ■
Citizen Participation and Open Budget Initiatives		■ ■ ■	■ ■ ■
Periodic Legislative Review			■ ■ ■
Continuous Monitoring and Evaluation	■ ■ ■	■ ■ ■	■ ■ ■

Legend: ■ = Implementation period

Figure 5.2. Illustrative Gantt-style implementation timeline showing the sequencing of key legislative, institutional, and operational reforms required to strengthen Nigeria's fiscal responsibility framework.

6.2 Institutional Architecture

Effective fiscal responsibility requires a coherent institutional framework in which oversight bodies perform complementary rather than competing

functions. International experience demonstrates that countries with stronger fiscal governance typically allocate responsibilities among independent institutions with clearly differentiated legal mandates, thereby reducing duplication, strengthening accountability, and improving the credibility of fiscal policy (International Monetary Fund [IMF], 2018; Organization for Economic Co-operation and Development [OECD], 2015). Nigeria should therefore avoid creating overlapping institutions whose responsibilities intersect without clear statutory boundaries, as this can lead to fragmented oversight, inconsistent policy advice, and weakened enforcement.

A strengthened institutional architecture should assign **statutory compliance monitoring, investigation of violations, and administrative enforcement** to a more independent and better-resourced **Fiscal Responsibility Commission (FRC)**. The Commission should remain the primary regulator responsible for monitoring compliance with the Fiscal Responsibility Act, issuing compliance directives, investigating breaches, coordinating inter-agency enforcement, and reporting regularly to the Executive and the National Assembly. To perform these responsibilities effectively, the Commission should be provided with secure access to government financial information systems, greater operational autonomy, and strengthened enforcement powers, while maintaining close coordination with the Office of the Attorney-General of the

Federation, anti-corruption agencies, and other accountability institutions (Fiscal Responsibility Act, 2007; IMF, 2018).

At the same time, **independent macroeconomic forecasting, fiscal policy evaluation, and compliance assessment with fiscal rules** should be entrusted to an **Independent Fiscal Council**, established by statute and insulated from political influence. Consistent with international practice, such a council would not exercise enforcement powers but would provide objective analysis of macroeconomic assumptions, medium-term fiscal projections, debt sustainability, fiscal risks, and the long-term implications of government policy. Independent fiscal councils have proven effective in strengthening fiscal credibility, improving budget transparency, and promoting evidence-based policymaking in several jurisdictions, including Australia and New Zealand (OECD, 2015; IMF, 2018).

To strengthen legislative oversight, **independent budget costing, fiscal impact assessment, and technical support for parliamentary scrutiny** should be assigned to a **Parliamentary Budget Office (PBO)**. Operating independently of the Executive, the PBO would provide Members of the National Assembly with impartial analysis of budget proposals, revenue forecasts, expenditure estimates, and the fiscal implications of proposed legislation. By enhancing the legislative technical capacity, a Parliamentary

Budget Office would improve the quality of budget deliberations and reinforce democratic accountability (OECD, 2015).

Finally, **ex post assurance regarding the legality, regularity, and performance of public financial management** should remain the responsibility of the **Office of the Auditor-General for the Federation**, in accordance with its constitutional mandate. The Auditor-General should continue to conduct independent financial, compliance, and performance audits and report findings to the National Assembly without assuming responsibilities for fiscal policy formulation or regulatory enforcement. Maintaining this distinction preserves the independence of the external audit while preventing institutional overlap and conflicts of mandate.

Together, these reforms would establish a coordinated system of fiscal governance in which each institution performs a distinct and complementary role: the **Fiscal Responsibility Commission** would regulate and enforce compliance; an **Independent Fiscal Council** would provide impartial fiscal analysis and macroeconomic forecasting; a **Parliamentary Budget Office** would strengthen legislative budget scrutiny; and the **Auditor-General** would provide independent post-audit assurance. Such a framework reflects international best practices and would significantly improve fiscal transparency,

accountability, institutional effectiveness, and long-term fiscal sustainability in Nigeria (IMF, 2018; OECD, 2015; World Bank, 2022).

6.3 Operational and Digital Reforms

Achieving effective fiscal responsibility in Nigeria will require more than legislative amendments; it will also depend on modernizing operational processes and leveraging digital technologies to improve transparency, efficiency, and accountability. As public financial management becomes increasingly data-driven, the Fiscal Responsibility Commission (FRC) should be equipped with the technological capabilities and institutional authority necessary to monitor compliance in real time. International experience demonstrates that integrated financial management information systems, open fiscal data, and digital analytics significantly strengthen fiscal oversight, improve policy implementation, and reduce opportunities for fiscal mismanagement (International Monetary Fund [IMF], 2018; Organization for Economic Co-operation and Development [OECD], 2015).

A key priority should be to provide the FRC with secure, role-based, read-only access to relevant government budgeting, accounting, debt, procurement, and revenue management systems. This should include the Government Integrated Financial Management Information System (GIFMIS), Treasury

Single Account (TSA), Budget Office databases, Debt Management Office (DMO) systems, Office of the Accountant-General of the Federation (OAGF) records, Federal Inland Revenue Service (FIRS) revenue databases, Nigeria Customs Service collections, and other authorized fiscal information platforms. Such interoperability would enable the Commission to undertake continuous compliance monitoring while preserving the operational independence of the institutions that manage these systems. Access should be governed by robust cybersecurity standards, audit trails, and data protection protocols consistent with applicable legal and constitutional requirements (IMF, 2018).

To improve transparency and incentivize compliance, the Commission should publish an annual **MDA Fiscal Compliance Index** evaluating Ministries, Departments, and Agencies (MDAs) against standardized performance indicators, including compliance with statutory reporting deadlines, budget implementation performance, operating surplus remittances, debt reporting obligations, fiscal transparency, and implementation of Commission recommendations. Similarly, a **State Fiscal Responsibility Index** should assess state governments using harmonized indicators covering fiscal discipline, debt sustainability, public financial reporting, budget credibility, and implementation of state fiscal responsibility legislation. Publication of these indices would encourage healthy competition, facilitate peer learning, and

provide objective benchmarks for measuring fiscal performance across the federation (OECD, 2015; World Bank, 2022).

The FRC should also establish a publicly accessible **Fiscal Compliance Case Management System** that records the status of reported violations, investigations, compliance notices, referrals to enforcement agencies, prosecutions, administrative sanctions, and corrective actions. Such a platform would improve transparency throughout the enforcement process, enable stakeholders to monitor institutional performance, and reduce delays in resolving fiscal responsibility cases. Periodic publication of enforcement statistics would further strengthen public confidence in the fiscal responsibility framework (Fiscal Responsibility Act, 2007; PEFA Secretariat, 2022).

To improve the accuracy and consistency of statutory remittances, standardized methodologies should be developed to calculate and reconcile the operating surpluses of scheduled corporations. Uniform accounting guidance, automated reconciliation with Treasury Single Account records and the Consolidated Revenue Fund, and independent verification of remittance calculations would reduce inconsistencies, improve revenue collection, and strengthen compliance with the Fiscal Responsibility Act (2007).

In line with international standards on fiscal transparency, the Federal Government should expand the publication of **machine-readable open fiscal data**, including annual budgets, budget execution reports, public debt statistics, government guarantees, procurement data, tax expenditures, contingent liabilities, public-private partnership commitments, and comprehensive fiscal-risk statements. Providing fiscal information in standardized, downloadable formats would facilitate independent research, support evidence-based policymaking, strengthen civic participation, and enhance legislative oversight while aligning Nigeria's fiscal reporting framework with global open government and fiscal transparency initiatives (IMF, 2018; OECD, 2015).

Finally, the Commission should adopt advanced data analytics, artificial intelligence, and risk-based supervisory tools to support proactive fiscal oversight. Automated analytical models could identify reporting anomalies, expenditure arrears, revenue leakages, procurement irregularities, unusual borrowing patterns, deviations from approved budgets, and emerging fiscal risks before they become systemic. Predictive analytics and automated alerts would enable the Commission to focus regulatory attention on high-risk institutions, improve compliance monitoring, and support timely policy interventions. These digital reforms would transform the Fiscal Responsibility

Commission from a largely reactive oversight institution into a modern, technology-enabled fiscal regulator capable of promoting greater transparency, accountability, and long-term fiscal sustainability (IMF, 2018; OECD, 2015; World Bank, 2022; PEFA Secretariat, 2022).

6.4 Implementation Roadmap

Table 6.1: Proposed Implementation Roadmap

Action	Lead institutions	Timing
Draft and pass targeted FRA amendments	National Assembly, Presidency, FRC, Ministry of Finance	12–24 months
Issue the inter-agency enforcement protocol.	FRC, AGF, EFCC, ICPC, OAuGF, OAGF	Within 6 months
Publish the first MDA compliance index.	FRC	Within 12 months
Integrate FRC access with core PFM systems	Ministry of Finance, OAGF, DMO, Budget Office, FRC	12–18 months
Introduce consolidated fiscal-risk statement.	Ministry of Finance and Budget Office	Next full budget cycle
Establish or strengthen independent fiscal analysis	National Assembly and Presidency	18–36 months
Launch state benchmarking and incentive framework	FRC, NEC, and states	12–24 months

Successful fiscal reform requires careful sequencing to ensure that legislative amendments, institutional strengthening, and administrative reforms reinforce one another. Short-term priorities should focus on improving compliance with existing provisions of the Fiscal Responsibility Act through enhanced reporting, stronger monitoring, publication of compliance assessments, and increased

public access to fiscal information. These measures can be implemented relatively quickly without requiring extensive legislative amendments.

Medium-term reforms include amendments to the Fiscal Responsibility Act, strengthening the Fiscal Responsibility Commission's institutional capacity, introducing digital monitoring systems, and harmonizing fiscal responsibility legislation across federal and state governments. Capacity-building initiatives should accompany these reforms to ensure that implementing institutions possess the technical expertise required for effective fiscal management.

Long-term reforms should focus on embedding fiscal responsibility within Nigeria's broader governance architecture. This includes establishing an independent Fiscal Council, integrating advanced digital public financial management systems, strengthening parliamentary oversight, and institutionalizing periodic reviews of fiscal legislation. Such reforms would support continuous adaptation to changing economic conditions while maintaining long-term fiscal sustainability.

6.5 Risks to Reform and Mitigation Strategies

Table 6.2: Reform Risks and Mitigation Measures

Risk	Likelihood	Impact	Mitigation Strategy
Political resistance	High	High	Stakeholder engagement
Capacity constraints	Medium	High	Training and technical assistance
Funding limitations	Medium	Medium	Dedicated reform budget
Weak inter-agency coordination	Medium	High	Formal coordination framework
Policy discontinuity	Medium	High	Legislative entrenchment and monitoring

Implementing fiscal governance reforms is likely to encounter several political, institutional, and administrative challenges. Political resistance may arise where stricter fiscal rules limit discretionary spending or impose greater accountability on public officials. Similarly, reforms that enhance transparency may face opposition from stakeholders who benefit from existing governance weaknesses.

Institutional capacity constraints also present significant implementation risks. Many public institutions responsible for fiscal management continue to face shortages of skilled personnel, inadequate technological infrastructure, and limited financial resources. Without targeted investments in institutional capacity, even well-designed legislative reforms may fail to achieve their intended objectives.

Mitigating these risks requires a combination of political commitment, stakeholder engagement, capacity development, and phased implementation. Public consultation during legislative reform, continuous professional training, increased investment in digital public finance systems, and collaboration with development partners can improve reform ownership and strengthen implementation capacity. Building a broad political consensus around fiscal responsibility reforms will also enhance their sustainability beyond changes in government.

6.6 Conclusion

The comparative analysis demonstrates that fiscal responsibility legislation is most effective when supported by a comprehensive governance framework

that includes clear legal rules, fiscal transparency, independent oversight, political commitment, and credible enforcement mechanisms, all operating in a mutually reinforcing manner. While each country has adopted a model suited to its institutional and constitutional context, common success factors emerge. New Zealand and Australia illustrate the effectiveness of transparency, medium-term fiscal planning, and strong institutional norms in promoting fiscal discipline. Brazil demonstrates the importance of enforceable legal sanctions and fiscal controls in constraining unsustainable public borrowing and expenditure. India and Kenya, meanwhile, highlight the value of hybrid frameworks that combine fiscal rules with institutional oversight and periodic policy adjustments to accommodate complex multi-level systems of government.

The analysis suggests that no single international model can be transplanted directly into Nigeria's fiscal governance framework. Rather, reforms should be tailored to Nigeria's constitutional, political, and institutional realities while drawing on internationally recognized good practices. The Fiscal Responsibility Act 2007 provides a solid foundation through its emphasis on medium-term fiscal planning, transparency, and accountability. However, its effectiveness has been constrained by weak enforcement, limited sanctions for

non-compliance, inconsistent implementation across levels of government, and insufficient mechanisms for monitoring fiscal risks.

Accordingly, Nigeria should pursue a sequenced programme of legislative and institutional reforms that strengthens compliance and enforcement, clarify and limit the use of escape clauses, introduce automatic fiscal correction mechanisms, enhance fiscal risk reporting and public disclosure, leverage digital technologies to improve transparency and citizen access to fiscal information, and deepen coordination between the federal, state, and local governments. Such reforms would enhance the credibility of fiscal policy, improve budgetary discipline, strengthen public financial management, safeguard public resources, and contribute to long-term macroeconomic stability and sustainable economic development.

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