

CITIZENS ENGAGEMENT ON YEAR 2020 BUDGET:

IMPORTANCE OF STAKEHOLDERS' ENGAGEMENT IN BUDGET FORMULATION

PRESENTED BY MR. E.O BAYODE

It is a great pleasure to be invited to this meeting by the Ministry of Budget and Planning to interact with you on the importance of stakeholders' engagement in budget formulation.

I will attempt to, within the limited time available to us, throw some light on what and who is a stakeholder; what is a budget; context of budget formulation in the state; the role of stakeholders' in budget formulation and finally the importance and benefits of stakeholders' engagement in budget formulation.

What is a Stakeholder:

A stakeholder is a party that has an interest in an organization and can either affect or be affected by the business of that organization. The stakeholders may be internal or external. Internal stakeholders are people whose interest in the organization comes through a direct relationship, such as employment, ownership or investment. External stakeholders are those people who do not directly work with an organization but are affected in some way by the actions and outcomes of the said business.

A **stakeholder** is a person or group who has an interest -- vested or otherwise -- in an enterprise and whose support is required for the enterprise to be successful.

A person or group that has interest or concern in the governance system. Stakeholders can affect or be affected by the government's actions, objectives and policies. Some examples of key stakeholders are citizens, employees, agencies, unions, NGOs, CSOs etc.

What is a Budget:

A **budget** is an estimation of revenue and expenses of government over a specified future period of time, usually one year.

There is, perhaps, no more important public agency activity than budgeting - the process whereby decision-makers allocate scarce resources to fund vital public services and facilities.

The Budget Process is usually in 4 stages.

Budget formulation

Budget Approval by the Legislature

Budget Execution

Budget Monitoring – both by the Executive and the Legislature

Budget formulation, or budget preparation, is the process by which governments produce budgets.

The budget formulation stage takes place mostly within the executive. It usually involves departments submitting budget proposals to a central budget authority, such as the Ministry of Budget & Planning, to come to an agreement within the executive on how available funds for the upcoming year (and sometimes beyond) should be allocated. The role of legislatures tends to be minimal at this stage.

Budget decisions directly affect the quality of life in a community and the public's level of satisfaction with decision-makers.

Context of Budget Formulation:

Hitherto, Budget formulation and execution was done top – down but with the advent of participatory budgeting, it is now done bottom – up by the involvement of key stakeholders in the process through stakeholders engagement.

Stakeholder engagement refers to the process by which the government involves people who may be affected by the decisions it makes or who can influence the implementation of decisions. **Stakeholders** may support or oppose decisions and may be influential in the organization or within the community in which they operate.

Stakeholder engagement is increasingly becoming a part of mainstream business and is being used to improve communications, obtain wider community support or buy-in for projects, gather useful data and ideas, enhance public sector or corporate reputation and encourages more sustainable decision making (Gray, 2002). Without proper engagement of the stakeholders, it is impossible to have a common abiding agreement, ownership and support for a particular project.

Stakeholder engagement is a critical element to the success of budget process. When you have a budget dedicated to stakeholder engagement, there is greater accountability for the use of resources.

Role of Stakeholders in Budget Formulation:

Importance of Stakeholders' Engagement:

- i. **Trust Building:** - Trust is the most important thing when it comes to interacting with the citizens. Consistently engaging with the citizens helps the government to maintain credibility over time.
- ii. **Transparency and Accountability:** - Stakeholders engagement promotes transparency and allows the citizens to hold the government accountable for its actions
- iii. **Information Gathering & Feedback:** - Engaging the stakeholders' is a great way to gather information to guide the decisions of government. Effective stakeholders' engagement is about recognizing that involving them is no longer about information dissemination and telling the people what is being done, but is a two-way information sharing tool. When there is enough information, the government is able to make the best decision to ensure that stakeholders' opinion matters, and this helps the stakeholders to understand what their inputs were used for. The information gathered from community engagement will enable the government to prove to the citizens that the decisions that were made in the planning process were intended to meet the desires of most of the people.
- iv. **Stakeholders' engagement ultimately leads to improved governance system and inclusion of people from all sort of backgrounds.** The more views gathered in the process of budget formulation, the more likely the final product of the budget will meet the most needs and address the most concerns possible
- v. **Peace and Stability in Governance:** - Listening to the voice of the people across all areas of policy and regulation will engender peace and stability in governance.
- vi. **Ownership:** When the budget is finalized and the stakeholders can see the fruits of their labour, it feels good knowing that they were involved

in something that benefits the generality of the people and they take ownership of the budget.

In conclusion, this initiative by the State Government is consistent with the best Budgeting practices. We must, therefore, commend the State for this laudable initiative. If contains, consultations like this have the ingredients of putting the State on the path of building sustainable trust and partnership for the accelerated growth and development of the State.

Thank you for listening.