ISSUING OF BONDS AND PUBLIC PROJECT FINANCING: A SOURCE OF PROBLEM OR TOOL FOR ECONOMIC MANAGEMENT FOR SUSTAINABLE DEVELOPMENT IN NIGERIA

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ABSTRACT

This paper examines the issuing of bonds on the financing of public projects: a problem or tool for economic management for sustainable development in Nigeria. To achieve the objective of the paper, relevant data was collected from textbooks, journals and the internet. Bonds are a firm contract of indebtedness entered by the government of a state with investors that have subscribed to or lent money to the state. The study while acknowledging the relevance of bonds in public project financing, is however of the view that the desire of government to exploit a specific source of external financing need to be purely depended on the cost-benefit analysis associated with the source rather than the current political approach. Appropriation of future income for present day engagement is definitely a source of problem if governments record wastages in managing such funds raised to finance the implementation of identified projects. Therefore, the study concludes that public policy need not be a source of tomorrow’s problems. This calls for precautionary measures on the part of State Houses of Assembly who retains the right of approval of a Governors request to seek funds from the capital market and Securities and Exchange Commission who retains the role of an apex regulatory institution to show accountability and transparency.

Keywords: Bonds, Project Finance, Economic Management, Nigeria.

INTRODUCTION

Development of infrastructure and provision of basic amenities in a state/sub-national is synonymous with the availability of financial resources and the commitment of those in power or positions of authority in the welfare of the people they choose to govern. This is a statement of fact and perhaps informs the reason why in contemporary Nigeria, many charged with the responsibility
to direct state affairs seek for alternative sources of funds, intended to attend to the several developmental and social needs of the people they have accepted to govern (Orimobi, 2011). All governments come with visions and dreams. Visions and dreams they articulate into policies and programmes aimed at meeting electioneering promises, if any, or, the expectations and aspirations of those they have chosen to govern. However, funds available to governments at all level and at any point in time to pursue articulated policies and programmes are seemingly perceived insufficient (Adams, 2002; Nzotta, 2004). Thus, the quest for alternative sources of funding to finance a given administration’s identified and prioritized development but public projects, which are considered essential for laying the called solid foundation for sustainable development and growth (Egai and Ajie, 2004; Nwezeaku, 2005; Ebulu, 2010). No doubt, sources of funds available to government for carrying out its activities are not only limited to statutory allocations, internally generated revenues, grants and aids from international institutions and donor agencies. Governments could raise funds from both private and institutional investors as well as other governments by way of borrowings (Ezirim, 2005; Nzotta, 2005).

Some State Governments in Nigeria are falling back to the option of utilizing the capital market by way of issuing registered bonds to raise funds to enable them finance conceived developmental projects thereby appropriating future income for present engagements (Nzotta, 2004; Ebulu, 2010). According to Musa and Kihongo (2011), when a government wishes to borrow money from the public on a long term basis, it usually does so by issuing or selling debt securities. The big questions this paper seeks to answer therefore is, “would issuing bonds to raise funds to finance public projects by State/sub-national governments be a source of problem or a tool of economic management for sustainable development and growth in the Nigeria Federation? To achieve the objective of this paper, the paper is divided into four interconnected sections. The next section examines the literature on bonds and public projects in Nigeria. The third section presents the materials and methods and the final section presents the concluding remarks.

LITERATURE REVIEW

Conceptualisation of Bond

Bond in its simplest meaning is a corporate or government certificate acknowledging that a person has lent money to the firm or government. The certificate specifies the holder’s extent of exposure in terms of money investment in the corporation or government (Sharpe, Alexander and Bailey, 2004; Fisher and Jordan, 2008). According to Wikipedia, “a bond is a debt security, in which the authorized issuer owes the holders a debt and, depending on the terms of the bond, is obliged to pay interest (coupon rate) to use and/or repay the principal at a future date, termed maturity”. Pandian (2003) stated that a bond is a formal contract to repay borrowed money with interest at fixed interval. This is to say,
the bond issuer is under legal obligation to make interest payment at regular interval to investors and repay the entire bond principal at a later prescribed time, called the maturity date.

However, for the purpose of this paper, we would say, “a bond is a firm contract of indebtedness entered by the government of a State with investors, that is, bond holders that have subscribed to or lent money to the state”. In the contract, the State Government promises payment of an agreed rate of interest (coupon) at regular interval to bondholders, and the principal amount at a specified future date, the maturity. The agreed rate of interest may be fixed or adjustable with caps and limits. A bondholder is therefore an investor who expects income at regular interval from the State for the use of his/her moneys until the principal amount repaid (Akujuobi, 2006b). Thus, in this context, interest is the reward the issuer of the bond – Government - pays to bondholders for the use of borrowed funds. A bond is not less than a loan, thus, may or may not come with covenants; covenants that may inhibit appropriation of future income to cater for future developmental needs of a State (Cuthbertson and Nitzsche, 2005; Bhalla, 2005). Investors are interested in state government bonds because they are considered less risky compared to corporate bonds because of the singular fact that a State is perpetuity in terms of existence (Akujuobi, 2006a).

**Classification of Bonds Issued by State Governments/Subnational**

Policies, Programmes, as well as Projects conceived by the various State Governments differ in intention, content, duration/engineering, cash flow projections - both inflows and outflows - as well as the mode of financing. This is because the developmental needs of States vary based on their peculiarities. This brings us to the issue of what type bond a State government can issue to finance public projects as conceived by the government of the day taking into consideration the projects profile (Bhatia, 2003). We shall for the purposes of this paper propose three types of bonds, which in our opinion state governments can settle for in their quest to raise funds through the capital market.

i. Full Faith or General Obligation Bonds

ii. Revenue Bonds

iii. Hybrid Bonds

**Full Faith Bonds:** These are medium or long-term debt instruments issued by state governments to raise moneys to finance their activities such as development of infrastructure, social amenities and other expenditure requirements. This debt instrument is secured by the general taxing powers of the State, that is, the ability of the State Government to generate internal revenue as well as the statutory allocations from the Federation Account, in our case in Nigeria.
All levels of government in Nigeria do have sources of revenue derived from the Constitution of the Federal Republic of Nigeria. This means, each level of government has constitutional powers to impose specific taxes and stipulate penalties accordingly on the people residing within its jurisdiction for the purposes of meeting developmental needs/programmes and other expenditure requirements. This presupposes that, the different levels of government do have diverse tax base from which they can generate revenue in meeting their expenditure requirements.

The idea behind Full Faith or General Obligation Bond is that, government needs substantial amount of funds for the immediate prosecution of its developmental agenda; an agenda that will translate into provision of social amenities, development of infrastructure, policies and programmes that are supposed to be beneficial to the citizenry not just today but in the future. In addition, government is of the view that, it would be able to generate sufficient revenue internally over the years to pay both interest element and set up the necessary sinking fund to ensure the total amount raised from the bond issue - principal amount is repaid on maturity. Full Faith Bonds are also called “unlimited Tax Bonds”. This concept of unlimited tax bond only suggest that state government powers to impose taxes on her citizens is unlimited to the areas conferred on it to raise revenue to run state affairs/activities but limited to the whims and caprices of the constitution from which they derive their powers. Projects selection for consideration under full faith bonds includes; Roads, River Canals, Water Projects, Drainage systems, etc

**Revenue Bonds:** These are medium or long-term debt instruments issued by state governments to raise moneys to finance public projects and secured by the revenue to be generated from the projects (Akujuboi, 2006b). This presupposes that, the credit quality or rating of a revenue bond issue is depended on the expectation of the public on the ability of the project/projects to generate revenue. This means, funds raised from the issue of a revenue bond issue are self-financing project tied. Therefore, investors’ appraisal of the viability of the project(s) to be financed with bond proceeds would determine the level of public subscription. Government view on revenue bond is that, the projects for which the funds to be raised would finance are capable of generating sufficient funds by way of cash flows to pay interest element in accordance with bond clauses. The project is equally capable of generating sufficient cash flows with which a sinking fund would be set up; a fund over the years intended to liquidate the principal bond amount on maturity, all things being equal. Projects selection under consideration in a revenue bond includes; Quarry, Harbours, Tourism related projects including Amusement Parks, Electric Power Generating Projects, etc.

**Hybrid Bonds:** The word hybrid suggests that, this category of bonds issued by governments bears some attributes of both revenue and full faith bonds. Projects to be financed to some extent are social necessities but capable of
generating revenues to augment government commitment to repayment of interest element and liquidate the principal amount borrowed on maturity (Pandey, 2009). It is also my opinion that, governments aim of issuing hybrid bonds to finance projects in this class is that such projects are social necessities and that government would repay bond obligations from future revenues/ statutory allocations to the state should the inevitable happens that such a project is unable to generate the necessary cash flows to meet government expectations. Governments consider such projects as part of its social contract/ responsibility to its citizens. Projects selection under Hybrid bonds among others includes Schools and Specialized/Research institutions, High-Way Roads, Water Projects, etc.

It is interesting to note that the above types of bonds are not an end to bond classifications. Bonds could be named based on the purpose and duration for which the funds are required. What is important is for the issuer to make judicious use of funds raised for meaningful development that would bring positive effect on the lives of the citizenry.

The Legal Basis of Bond Issuance by State Governments

State Governments in Nigeria derive their powers to issue bonds –registered – from the Investment and Securities Act of Nigeria 2007, precisely Section 223. This Act stipulates that for States Governments to issue bonds to the public, it must obtain approval from the Securities and Exchange Commission (SEC) of Nigeria. By the provisions of Section 13 of the Investment and Securities Act of Nigeria 2007, the Securities and Exchange Commission of Nigeria (SEC) is the apex regulatory institution for the Capital Market.

States or Subnational statutory requirements of obtaining the Securities and Exchange Commission approval in a bond issuance exercise are enshrined in section 224 of the Investment and Securities Act of Nigeria 2007 and Rule 307 of the Securities and Exchange Commission’s Rule and Regulations made pursuant to the Act. Section 224(3)(a) of the Investment and Securities Act of Nigeria 2007 provides that; an application from a state government to the Securities and Exchange Commission to raise funds from the capital market by way of registered bond issuance shall be accompanied by such documents as may be prescribed by the securities and exchange commission from time to time. The documents shall include:

i. A law from the State House of Assembly authorizing the bond issuance exercise and creating a sinking fund to be fully funded from the consolidated revenue fund of the issuer.


iii. An Irrevocable Letter of Authority (ILoA) from the Accountant General of the State authorizing the Accountant General of the Federation to deduct payment obligations due on the bond from the State statutory allocations in the event of a default by the State Government.
Setting requirements for States as barriers for going to the capital market to raise funds to fund public projects need not be merely a regulatory procedure. The requirements need to be reviewed from time to time. This strategic process is intended to attend to observed loopholes, effect sanity in the bond issuance process and ensure prudent management of moneys raised from the process.

The Role of a State House of Assembly in State Government Bond Issuance Exercise

One strategic statutory requirement of State Governments seeking approval of the Securities and Exchange Commission of Nigeria (SEC) for the purposes of raising fund from the capital market by way of issuing registered bonds is a law from the State House of Assembly Authorizing the bond issuance exercise. This requirement is not only strategic but perhaps the most important of all the barriers. This is so because the requirement places a great responsibility on a State House of Assembly to do what is expected of it as the democratically elected representatives of the people. In my opinion, it is the thinking of the crafters of the Investment and Securities Act (ISA) 2007 that, members of the State House of Assembly do have constant contact with their constituencies. Therefore, in a matter of appropriation of future income for present day engagement; elected members would liaise with their constituencies to appraise the desirability of a bond issuance and weigh available options, merits and demerits associated with the issuance before authorizing the Executive Arm to proceed with such an exercise. It is also the expectation that such a Bill would be subjected to public hearing. Subjecting such a Bill to public hearing would help to keep the public informed of the projects selection in the proposed bond issuance exercise; their viability, the expected cash flows from the projects/ the social need of the project, as well as the economic importance of the project or projects. It is the contemplation that, the process would bring to fore the various options available of financing selected project or projects. The exercise would also bring to limelight the reason(s) put forward why the Executive Arm thinks bond issuance is the best option. It would also bring to the public's knowledge the mode and modalities put in place to repay interest element and the principal amount from the issue as well as the duration of the bond (that is, setting up a sinking fund and precisely indicating the sources from which the fund would pool its funds). It is my conceived opinion that the public hearing exercise would give the public opportunity to have a critical assessment of what is before them and ultimately AGREE to the issue or say NO to the issue. This act of subjecting the bill to public hearing is important because it would give diverse opinion on assessment to that off the expert committee assembled by the initiator of the bill, whose terms of reference they work assiduously to fruition. It is a fact that there are no known cases of outright rejection from such committees to a Governor's proposal of going to the capital market to raise funds for the prosecution of his/her agenda. Most a times, expert committees are therefore only assembled to legitimatize the argument for the need of the funds by putting forward gold plated benefits,
which may not be realized at the end, but would usher in a regime of greater burden on the people.

Regrettably, some State Houses of Assembly that has passed Bills into law authorizing the Executive Governor to source funds from the capital market by way of bond issuance fail to attend to this important statutory right with all sense of responsibility. There are observed cases that it was after the passage of the Bill authorizing the State Governor to go to the capital market that the Governor assembled the supposed expert team/think-tank committee to package projects to be financed with the proceeds of the bond issuance exercise; the case of Bayelsa State is a good example. Subjecting such a strategic Bill to public hearing would no doubt raise fundamental questions and create awareness. The inability of a State House of Assembly to subject such a bill of appropriating future income for present day engagement to public hearing leaves more questions than answers. The question to ask is, how did the State House of Assembly come to the passage of the Bill without looking at the feasibility (ies) study of the various projects to be financed with the proceeds from the bond issuance exercise? Upon what basis does the State House Assembly determine the amount of moneys the Governor needed to fund the projects? If projects are packaged after the passage of the bill, how can a State House of Assembly as part of their oversight function monitor the implementation and commitment of funds to the projects when they were not furnished with the engineering design/details of the projects at the point of requesting for funds approval? Perhaps, the answer to these questions may be the reason some State Houses of Assembly fail reluctantly to subject such bills to public hearing in order to avoid the public saying outright NO to the bond issuance exercise and strain the called cordial relationship they have built with the Executive Arm over time.

For State Houses of Assembly to be more effective, it is my candid opinion that, the Securities and Investment Act of Nigeria 2007 requires amendment. Such amendments should accommodate provisions on roles that are more specific, procedures to be strictly followed by a State Houses of Assembly leading to the passage of a Bill authorizing a Governor to source funds from the capital market for the purposes of financing identified projects.

The procedure should include:

a. Public hearing for such a bill to hold in each of the senatorial zones in the state
b. The projects to be financed with the proceeds of the bond issuance exercise and their engineering designs should be made available for public input during such public hearings
c. The sources from which a sinking fund would be set up and the management of the fund must be clearly stated in the Bill.
d. Penalties be clearly spelt out on default in the implementation of the projects and mismanagement of proceeds and include clauses that the initiator is personally liable in and out of office

e. Based on the engineering design of the project(s), moneys to be raised for the financing of the projects is phased in accordance with the financing plan of each of the projects to shelve the burden of interest payment for the whole amount preceding the completion of the project(s).

f. That amortization of such loans should not last longer than 12 Calendar Months beyond the 4 year Tenure of the Initiator of the loan

g. Once the offer is fully subscribed, a detail list of the subscribers and their interests be published in the State Gazette for information and public consumption

The Rationale behind an Irrevocable Letter of Authority

One major requirement of the Securities and Exchange Commission of Nigeria (SEC) from State Governments seeking approval to go to the capital market to raise funds by way of registered bonds is for the State Accountant General to domicile an Irrevocable Letter of Authority (ILoA) with the Accountant General of the Federation. The domiciled irrevocable letter of authority authorizes the Accountant General of the Federation to deduct payment obligations due on the bond from the State share of statutory allocations in the event of a default by the State.

No doubt, this requirement is deliberate and intended to protect investors of their investment in State bonds. Even though States are required to set up a sinking fund for the purposes of catering for effective amortization of the loan over the currency of the loan, it is no doubt the expectation that, the effective management of the fund itself is a matter of its own. Protecting the investors in this manner is a deliberate approach employed by the regulatory authorities to deepen the depth of the capital market and further create the required confidence in our investible climate. Some State Governments in Nigeria are known for spending above their monthly allocations from the Federation Account and constantly falling back to banks for short-term funds to tide over monthly expenditure requirements. Equally, most state governments are characterized with low internally generated revenue profile. Thus, they may not have the capacity to accumulate funds in the created sinking fund to accommodate payment obligations as at when due. State Government bonds once registered in the capital market; there is the likelihood that the instruments would be traded in the secondary market. Therefore, should regulatory authorities fail to put in place appropriate checks, there is the tendency that, state government bonds may erode confidence in the capital market when governments constantly default on payment obligations. This is not only being detrimental to the State in question but may elude the Country the opportunity of attracting foreign investible funds.

Factors influencing State Governments Sourcing Alternative Means of financing Public Projects
Funds available to State Governments for the running of the day-to-day governance process and the development of the states are always perceived to be insufficient by those privileged to be at the helm of affairs. In order to chart course effectively for the development of states, governments seek alternative sources of funds to finance public projects. This desire for alternative sources of funds is predicated by several factors including the following:

i. The claim that statutory allocations is dwindling and continue falling

ii. Internally generated revenue is far below expectations and new sources are difficult to tap in the midst of several constraints

iii. Public confidence is generally low in the government of the day, especially, in the management of public funds. To this end, Governments find it difficult to impose new taxes or by way of development levies whether tied or untied to development programmes, projects or rolling plans

iv. Political leadership desire to settle scores among themselves and further fraternize with new individuals who they consider necessary to appease for future political engagements

v. A particular political leader led administration’s inability to plan with available financial resources, taking into consideration both statutory allocations from the Federation Account and Internally Generated Revenues; thus, ending up conceiving utopian development agenda with limited resources to execute such an agenda, hence the quest for alternative sources of funds.

vi. A Governor’s thinking that he alone knows all what it takes to develop the state in the near future.

The desire of any organization or government to exploit a specific source of external funding need to be purely depended on the cost – benefit analysis associated with the source. This is a fact governments need not ignore because its social contract with the society hovers on rationality. It is interesting to note that, cost – benefits analysis carried out on utilizing a source of external funding is multi solution based and interpretations as its desirability is equally depended on the mindset of the person(s) carrying out the evaluation on one hand. On the other hand, it is largely depended on the mindset of the person whose terms of reference are been strictly followed and worked to fruition, that is, the Governor in the case of a State in Nigeria. In the later circumstances, it is our candid opinion that that technical team or team of experts called in and assembled, if any, is constrained to look at the attendant issues broadly, which may have negative effect on the citizenry vis-à-vis the intentions of the initiator of the borrowing, in this case, the Governor of the state.

One major scenario surrounding State Governments seeking for funds from the capital market is that, the Governor thinks he or she have all the ideas to chart course for the development of the State he/she governs. In most cases, the individual fail to recognize the fact that at best, he or she can only be at the
helm of affairs of the state for a maximum of 8 years and not more. Even if he or she eventually influences the coming in of a successor, the successor is a human being coming in with ideas. The successor will equally write his/her own page of history. This is to say, the individual would package his/her own programmes/policies for posterity to judge. This brings the argument that, it would be very wrong for government of the day to appropriate future income of the State significantly beyond his or her 1st 4-year tenure in office for any present day engagement by way of borrowing excessively from all sources including issuance of bonds to the public. This fact is important because the Governor of a State must subject him/herself to an election for a 2nd tenure and the notion that he or she would win re-election is entirely a fallacy in a true democracy. Re-election is a matter of performance and all things being equal an objective assessment of the electorate. Performance in this context would be determined with projects completed and in various stages of completion, the prudent management of State finances, transparency in governance and government actions, etc. Interestingly, only few State Governments can pass this litmus test.

Managing Bond Issuance Proceeds
Governments go to the bond market to raise funds for the execution of public projects intended to improve the living standard of the people. The bottom-line of successful implementation of public projects in modest depend on several factors including the following:

i. Commitment of those in authority to attend to the developmental needs and social problems of the people genuinely

ii. Availability of funds

iii. Effective fund allocation and management

iv. Effective supervision of projects in line with the timing of projects

v. An individual's value for wealth over name

Government unlike the private sector is known for determining the projects for execution before sourcing for funds. Therefore, it is not wrong for governments to go to the bond market to raise funds for the implementation of packaged projects, provided such projects are conceived to better the lives of the people. However, it is an observable fact that, most a times, the proceeds from bond issuance exercise are not strictly used for the projects for which they were sourced. One approach commonly employed by governments is to raise all the moneys required based on projections for the full implementation of the projects. The approach most a times fail to tally with the time lines/schedules set for the implementation of the projects. Most projects are capital intensive and do come with a number of years as gestation period. Therefore, raising all the moneys needed once by way of bond issuance for the implementation of the proposed projects is not only faulty but a very wrong project financing strategy.

Bonds once issued and subscribed to begin a firm commitment between the state or subnational and the bondholders. This suggests that, payment
obligations commences immediately. Bondholders would not be patient enough to wait until the completion of the project before receiving interest payment. Therefore, there is no absolute need for governments to go to the capital market to raise all the moneys earmarked for financing projects and start to pay interest commitments, when in fact not all the moneys are needed immediately based on engineering time lines. Government seeking funds from the capital market need to do more by phasing the projects or better say implementation should be in stages. This suggests that instead of bringing in the moneys once and begins to pay interest element and repay capital preceding the official take-off of the project(s), government should plan and phase the bond issuance exercise in line with the phased implementation of the project(s). This is not to say, one is not cognizance of the fact of floatation cost. Bringing in all the moneys once is not a better fund management approach, thus, must be discouraged for the well-being of the people.

**Consequences of Mismanaging Bond Issuance Proceeds**

Individuals in some state governments in Nigeria have had cause to argue that, government do borrow and need to borrow to meet its obligation to the citizenry, but what is important is to manage the debts effectively. It must at this point be made clearer that, state governments differ significantly with the central government in their capacities to borrow. In the same vein, they also differ in their abilities to manage debts. Therefore, there is no reason for state governments in Nigeria to compare their position with the central government. While the central government can on the extreme employ tools such as quantitative easing to meet debt obligations, especially, domestic debts, this is not applicable to any state government in Nigeria.

It is pertinent to note that once the moneys are in stock, raised by means of bond issuance, a state government is saddled with the responsibility of managing available funds for the benefits of the people by committing same to the projects they were sourced. However, it is a fact that State Governments are known for reckless spending of public funds, a position that has significantly reduced public confidence in the governance of States. This is equally a great concern to the central Government. If State Governments outspends their monthly allocation from the Federation Account and seek short-term funds from banks to bridge over expenditure requirements; this trend is not only a threat to the stock of money from bond issuance, that is, moneys tied to projects but equally the effective implementation of the projects per say. Most State Governments would be tempted to undertake virement of funds meant for the projects for which funds were sourced to other areas they consider pressing needs with the intention of rechanneling back to continue with such projects. This practice of virement of public funds from one head to another head had given birth to the abandonment of projects for which funds were sourced for from the capital market or the non-implementation of such initially earmarked projects.

Once funds are inappropriately applied, supervision for the projects also becomes ineffective. Government would be unable to meet its commitment in
terms of payment obligations to contractors. Contractors executing such public projects would therefore default in completion schedule with a reasonable excuse culminating to a call for an upward review of contract value. This would not only result in the abandonment of the projects, increase the anxiety on the people of the State over the appropriation of future incomes for development purposes but a great source of problem to the general economic well-being of the people of the State. These acts would lead to elongation of the completion time of such projects; increase the cost implications in terms of the contract value, additional interest payment, etc. The burden on the people in mismanagement of bond proceeds is many fold and among others includes

a. Interest payment obligation from sources other than revenues from the project itself
b. principal repayment obligation from sources other than the revenues from the project itself
c. possible low level of economic activities
d. psychology of scattered abandoned projects
e. psychology of dilapidated infrastructure in all areas
f. the possible down-sizing of the State work force which may bring more hardship to families that may be affected from such an exercise
g. insecurity characterized by crime and youth restiveness in the midst of unemployment, etc

The totality of the above facts remains to negate the expected sustainable development of the state, continue to elude the people of the State the benefits of government and good governance thereby may result to peoples’ revolt against civic obligation/responsibilities. A State characterized with corruption, recklessness in the management of public funds no doubt accumulates wastage of resources. This is a great distortion to the well-desired meaningful transformation of a state. Over-exposing the State resources by means of borrowing is by no means less than mortgaging the future of the State. The attendant result includes infrastructural decay, economic and social hardship on the people.

MATERIALS AND METHODS

The material for this study was collected from secondary sources. The secondary data are those obtained from works of other scholars for different purposes, which includes textbooks, journals, business magazines, professional publications, and past research studies. The secondary data collected were analysed using descriptive analysis. According to Ndiyo (2005), descriptive research studies are designed to obtain information concerning the status of phenomena. They are directed toward determining the nature of a situation, as it exists at the time of the study. Baridam (2001), Osuala (2005) also stated that descriptive analysis largely describes and explains the various activities of human actions in the society.

CONCLUDING REMARKS

State Governments desire to borrow from the public through the capital market by means of issuing bonds may not necessarily be a wrong approach
to fast track development in a sustainable manner and achieve an acceptable economic growth if it is done with commitment. The important issue is for State Governments that utilizes this strategic option to make good use of the proceeds in the manner they have envisaged before going for the funds. Should State Governments deliberately channel funds raised for such projects, ensure effective fund allocation and commitment, undertake effective supervision and monitoring of projects, it will definitely bring in multiple benefits to both the governed and those in authority.

However, on the other hand, if a particular individual led Administration borrows massively to finance his/her identified and prioritized projects, projects whose gestation period far exceeds the life of the administration without taking into consideration what may be the future dynamics and realities, the administration is doing more harm than good to the state. Appropriation of future income for present day engagement is definitely a source of problem if governments record wastages in managing such funds raised to finance the implementation of identified projects.

Today’s public policy need not be a source of tomorrow’s problems. This calls for precautionary measures on the part of the State Houses of Assembly who retains the right of approval of a Governor’s request to seek fund from the capital market, and, the Securities and Exchange Commission of Nigeria (SEC) who retains the role of an apex regulatory institution.

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