

MONOGRAPH SERIES ON ADMINISTRATIVE RESPONSES TO THE AFRICAN ECONOMIC CRISIS: THE CASE OF NIGERIA

**Monograph Series on  
Administrative  
Responses to the  
African Economic  
Crisis**

**The Case of  
Nigeria**

Edited by

Dele Olowu, Mufu Laleye and  
Victor Ayeni



African Association for Public  
Administration and Management



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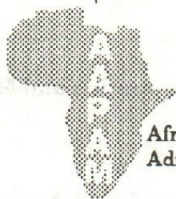
**The Case of Nigeria**

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(Obafemi Awolowo University)

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As usual, it is important to note that the opinions expressed here do not represent either those of AAPAM or the Department of Public Administration, Obafemi Awolowo University. We also take sole responsibility for all errors contained in this study.

*Dele Olowu*

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# 1

## Introduction: Overview of the Report

### 1.1 Background

African economies have been confronted with a crisis situation for over a decade now. The Nigerian experience of the crisis was delayed until the early- and mid-1980s, when it was triggered by the collapse of oil prices on which the economy had become precariously dependent. Many African countries have adopted remedial policies to address their economic problem, either on their own or at the instance of multinational finance/development agencies such as the International Monetary Fund (IMF) and the World Bank.

Although various approaches have been adopted, there exist some common features of the response. Initially, some countries intensified controls and adopted extensive austerity measures. Today, however, the majority of African countries have taken to variants of the World Bank Structural Adjustment Program or IMF conditionalities, which entail the reduction of public sector scope, decentralization, deregulation and privatization measures. This development represents a major departure from previous conceptions of the role of the state and the public service in African development.

Most of the studies on the subject have tended to concentrate on the economic and social impacts of these measures, but there are few studies on their impact on the public administration system and on the various responses of African public administration systems to the crisis, especially the policy measures aimed at resolving it. The few studies on these tend to be prescriptive and have not provided illuminating insights<sup>1</sup>. More importantly, we are convinced that the economic crisis provides a rare and needed opportunity to experiment with other alternative approaches for organizing the public services, drawing maximally on the resources provided by the environment, which in this case includes the private sector.

An additional rationale for researching this subject is that from the various experiences of African countries at implementing economic reforms, it is becoming evident that the state must play a crucial role in determining the direction and efficacy of reform. Unfortunately, however, many African countries are faced with a governance crisis that is probably much more serious, although less dramatic than the economic crisis. This complicates the task of economic restructuring and it is thus essential to attempt to understand the nature of this governance crisis and the impact of the economic crisis on governmental structures and processes.

This monograph makes two basic assumptions. First, we assume that the economic crisis as well as the measures aimed at correcting it represent critical factors in the environment of public administration, and as such an ecological perspective on the discussion is inevitable. More than that, however, is the fact that these policies progressively take on an ideological posture, which is also bound to have crucial effects

<sup>1</sup> A bibliography of some pertinent literature is provided at the end of this report

on the organization, operations and perhaps the efficiency of the Nigerian public sector. The last is significant because these economic responses, especially the Structural Adjustment Program (SAP) which was introduced in September 1986, represent a commitment to the supply-side theories of classical economics. A second assumption is that these environmental and ideological perspectives on policy responses to the economic crisis have implications on the scope, structure, processes, resources, operations and effectiveness of the country's public administration system.

To provide a guide for our work, a model of administrative impact/response to the economic crisis has been designed. This is presented as Table 1.

## 1.2 Specific Research Objectives

Specifically, this monograph seeks to:

### 1.2 Methodology

The study relies mainly on documentary analysis of policy statements, budgets, financial statements, published and unpublished reports, magazines, periodicals and newspapers. On this basis, we gathered data in respect of the structure, operations, resource inputs (finance and manpower) and productivity levels in the Nigerian public service, focusing particularly on federal and selected state civil services. In addition, we have examined the parastatals generally at the federal and state levels, especially trying to establish the progress made thus far in respect of full or partial privatization and commercialization of these enterprises. This documentary analysis has been complemented by indicative interviews with various categories of officials in the public and private sectors. We were also fortunate to have benefitted from critical reviews from senior public officials especially at the federal level and experienced government watchers based at some management training institutions in Nigeria.

Table 1. An Impact/Response Model of Economic Crisis and African P.A. Systems

Scope	Response/Impact
	Contraction/Expansion/Redefinition of roles regulation/facilitative/operation
Structure	Reorganization/Status Quo
Processes	Centralization/Decentralization of Operations/Policy Process Improved Data Management; Introduction of New Techniques.
Resources	Mobilization of Additional Resources: Aid/Loans/New Taxes/others
Personnel	Personnel Policies; retrenchment, wage review, salary restraint, improved data on personnel.
Productivity Levels	High/Unchanged/Low

- (a) examine the nature of the Nigerian economic crisis and in particular its impact on the public administration system;
- (b) identify the major policy and administrative responses to the economic crisis, noting full well that there might indeed be differences between policy and administrative responses; and

- (c) suggest a more viable response of the administrative system to the economic crisis based on an analysis of past efforts and the experiences of other developing countries.

# 2

## The Nigerian Economy and Economic Policy Responses Since 1980

### 2.1 Background to Nigeria's Economic Crisis

The serious economic crisis which Nigeria experienced in the 1980s is a sharp contrast to the situation in the 1970s, when the country witnessed the oil boom. Between 1973 and 1981, the Organization of Petroleum Exporting Countries (OPEC) posted prices of crude oil (Bonny Light 37 AP I) increased phenomenally. The crude oil price, which was only \$2.00 per barrel in 1973, had risen to \$14.33 per barrel by 1978. In 1979, the posted price of crude oil increased six-fold within the year, thus rising to \$29.27 per barrel in December 1979. By July 1980, the price had risen to \$37.00 per barrel and by January 1981 it had hit \$40.00 per barrel.

These sky-rocketing oil prices, initially propelled by the Arab-Israeli war during the period 1973-75, resulted in an energy crisis and depression in the industrial countries but led to increased oil revenue and a boom for Nigeria and other oil exporting countries. Table 2 shows the contribution of oil revenue to the Federal Government's revenue and expenditure between 1970/71 and 1979/80. The table shows that the contribution of oil to the Federal Government's total revenue rose from a mere 29.0 per cent in 1970/71 to 99.05 per cent in 1975/76, but gradually declined to 60.47 per cent in 1978/79. Table 2 also reveals that crude oil was the major revenue earner for financing government expenditure during this period. Oil revenue as a percentage of The Federal Government's total expenditure rose from 19.38% in 1970/71 to 98.20 in 1974/75, but gradually declined to 60.05% in 1978/79.

Oil revenue continued to grow by leaps and bounds until it suffered its first major setback in the 1977/78 fiscal year, when it dropped from N6.3 billion in 1976/77 to N5.333 billion. It further dropped to N4.383 billion in 1978/79. Thus, imminent danger in the crude oil market was first signalled in 1978, when the market experienced a glut, though it was then a temporary phenomenon, as oil revenue picked up again in 1979/80 fiscal year. Between April and December 1980, a period of nine months, oil revenue was N10.388 billion (Akinnusi, 1987, p. 94). This upward escalation in oil revenue gave the whole nation such a sense of self-sufficiency that one of former head of government was alleged to have remarked that money was not the nation's problem but how to spend it. However, by mid-1981 the oil glut had returned in full force and the posted oil price experienced a dramatic tumbling down. By 1983, it had tumbled down to \$18.00 per barrel. In 1985 it even fell to \$10.00 per barrel, though between January and June 1989, it fluctuated between \$16 and \$18 per barrel.

Thus, the collapse of the crude oil market, resulting from the oil glut, and the subsequent reduction in the production quota of OPEC member countries, has been a major cause of Nigeria's current economic crisis. Nigeria's crude oil OPEC quota, which was some 2.3 million barrels per day in the 1970s, was reduced to about 1.3 million barrels per day in the early 1980s, though it had marginally been increased to about 1.5 million barrels per day in 1989.

Table 2. Oil revenue contribution to government revenue and expenditure 1970/71—1979/80

Year	Total Revenue (N million)	Oil Revenue (N million)	Oil Revenue/ Total Revenue Expenditure (%)	Oil Revenue/ Total Govt. Expenditure (%)
1970/71	755.6	219.1	29.0	19.38
1971/72	1,410.9	623.0	44.16	67.10
1972/73	2,240.0	1,410.7	53.48	75.68
1973/74	2,171.4	1,582.9	72.89	88.98
1974/75	5,177.1	4,181.1	80.82	98.20
1975/76	5,252.3	5,202.6	99.05	85.14
1976/77	7,222.6	6,300.0	87.23	85.01
1977/78	7,652.5	5,333.3	69.69	63.90
1978/79	7,246.2	4,383.3	60.49	60.05
1979/80	13,809.1	8,833.3	63.97	79.52

Sources: Ayodele Akinnusi, *Nigeria in the World Crude Oil Industry*, Ph.D. Thesis, Obafemi Awolowo University, 1987, P.93.

The false sense of economic self-sufficiency generated by the oil boom of the 1970s led to a neglect of the agricultural sector since the nation had access to cheap money to import all sorts of things: foodstuffs, raw materials and manufactured goods. Table 3 gives a picture of the structure of the Nigerian economy in the 1970s. The table reveals that the contribution of the agricultural sector to Gross Domestic Product (GDP) declined consistently from 48.79 per cent in 1970 to 21.95 per cent in 1979. On the other hand, the share of the mining sector increased from 10.11 per cent in 1970 to 30.93 per cent in 1979. The share of manufacturing decreased from 7.17 per cent in 1970 to 3.61 per cent in 1974, and increased thereafter reaching 9.09 per cent in 1979. The share of building and construction rose from 5.11 per cent in 1970 to 15.92 per cent in 1973, but fell to 10.50 per cent in 1979. The share of transport and communication increased from 2.82 per cent in 1970 to 4.08 per cent in 1973, but fell to 3.37 per cent in 1979. The share of government services fell from 6.50 per cent in 1970 to 4.16 per cent in 1979, while the share of other services fell from 6.04 per cent in 1970 to 2.15 per cent in 1979.

The decreasing contribution of agriculture and the increasing role of the mining sector (including petroleum and quarrying) are particularly remarkable. The increasing role of the petroleum sector in the national economy, in particular, led to the neglect of the agricultural sector. The growing food import bill was particularly disturbing. For example, by 1979 the food import bill was N1.106 billion compared with a yearly food import bill of under N100 million before 1973 and under N50 million before 1970 (Okuneye, 1989). By 1981, it was estimated to have reached N1.5 billion (Aribisala, 1983, p.26).

The performance of the manufacturing sector during this oil boom period was also not particularly impressive. Worse still, the manufacturing sector relied heavily on imported raw materials. On the average, for every N1.00 of manufacturing output in Nigeria, at least 60 kobo was spent on imports. No wonder then that the manufacturing sector collapsed with the disappearance of the oil boom, when it became more difficult to import goods due to foreign exchange constraint.

Table 3. Composition of the Gross Domestic Product, 1970–1979 (Percentage)

Activity Sector	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Agriculture	48.79	45.61	43.03	28.56	25.07	25.55	22.97	23.35	23.63	21.95
Mining (inc. Petroleum & Quarrying)	10.11	15.13	16.97	18.38	33.27	22.28	25.27	24.67	27.52	30.93
Manufacturing	7.17	6.26	7.11	4.52	3.61	5.58	5.49	4.97	6.99	9.09
Utilities	0.72	0.62	0.67	0.41	0.30	0.30	0.29	0.32	0.38	0.48
Building & Construction	5.11	6.19	7.24	15.92	11.30	12.28	13.57	13.01	12.39	10.50
Transport & Communication	2.82	2.83	3.32	4.08	2.73	3.21	3.20	3.32	3.52	3.37
Distribution	12.69	12.09	11.31	19.99	16.51	20.63	20.64	21.65	20.65	20.79
Govt. Services	6.50	5.67	4.72	6.05	4.91	6.46	5.60	5.36	5.19	4.16
Other Services	6.04	5.64	5.64	2.13	2.25	3.15	2.75	2.75	2.59	2.15
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Sources: Federal Office of Statistics (FOS), *Digest of Statistics*, vol. 25, Oct 1976 (for 1970–1972) data F.O.S., *Abstract of Statistics*, 1985 edition (for 1973–1979 data)

## 2.2 Nigeria's Economic Crisis in the 1980s

With the re-emergence of the oil glut in 1980 and the subsequent collapse of the petroleum economy, the Nigerian economy was engulfed in a serious economic crisis. The slow growth rate of national output, the balance of payments crisis, the mounting national debt and debt-servicing burden, the deepening food shortage crisis, the collapse of the manufacturing sector, mounting unemployment and galloping inflation (stagflation), and a deteriorating standard of living were dramatic indicators of the economic crisis.

### 2.2.1 The Slow Growth of National Output

The Nigerian economy witnessed structural changes in the 1980s. Table 4 presents these structural changes, which are characterized by a slow growth of output in almost all sectors of the economy.

As this table shows, the contribution of the agricultural sector to GDP picked up in the 1980s. It rose from 20.63 per cent in 1980 to 41.29 per cent in 1986, although estimates for 1988 show a marginal decline to 33.07 per cent. As has been further demonstrated in Table 4, the agricultural sector turned out to be the main growth point of the depressed Nigerian economy in the 1980s. This is as a result of the increasing

Table 4. The changing composition of G.D.P. 1980–1988

Activity Sector	1980	1981	1982	1983	1984	1985	1986	1987	1988
Agriculture	20.63	20.51	25.57	31.70	38.00	36.20	41.29	33.94	33.07
Agriculture Mining (including Petroleum & Quarrying)	30.93	26.32	20.89	15.86	15.95	16.33	11.53	28.42	22.60
Manufacturing	8.38	9.74	11.38	6.26	4.06	5.36	5.60	4.70	6.23
Utilities	0.50	0.61	0.72	0.63	0.54	0.53	0.52	0.41	0.72
Building & Construction	10.26	10.66	9.46	5.53	5.64	4.76	4.81	3.44	3.87
Transport & Communication	3.51	4.11	4.41	3.98	3.60	4.29	4.38	4.44	5.77
Distribution	19.81	20.73	19.43	28.45	27.41	26.51	25.72	19.74	20.01
Govt. Services	4.15	5.07	5.22	4.79	4.31	3.72	3.67	2.92	2.87
Other Services	1.82	2.35	2.79	2.80	2.36	2.31	2.48	1.99	2.87
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Sources: i) F.O.S., *Abstract of Statistics, 1985 edition* (for 1980–1982 data)

ii) Federal Republic of Nigeria, *Ministry of National Planning Economic and Statistical Review*, Lagos Federal Government Printer, 1988.

emphasis now being placed on the agricultural sector by both the government and the people.

Table 4 also shows that the contribution of the mining sector to GDP had been on the downward trend in the 1980s. It fell from 30.93 per cent in 1980 to 11.53 per cent in 1986, though by 1988 the contribution had risen to 22.60 per cent. The contribution of the manufacturing sector to GDP increased from 8.38 per cent in 1980 to 11.38 per cent in 1982 and fell to 4.06 per cent in 1984. The contribution of building construction has also fallen consistently from 10.26 per cent in 1980 to 3.87 per cent in 1988, while the contribution of distribution increased from 19.81 per cent in 1980 to 28.45 per cent in 1983 and consistently declined thereafter. By 1988, the value stood at 20.01 per cent.

The different sectors of the economy have been growing at varied rates over time. However, in the 1980s, except for the agricultural sector, the economy recorded negative growth rates. Table 5 presents the growth rates of the Nigerian economy in GDP terms as well as in terms of the important sectors of the economy during the four post-independence planning periods, based on 1977 constant prices.

Table 5. Annual Growth Rates of GDP and its Component Parts 1962–1985

Period	GDP	Agriculture	Mining	Manufacturing	Building	Distribution	Service
1962–68	0.15	-1.84	13.22	4.00	4.87	1.09	2.74
1970–74	15.63	-1.22	48.86	0.63	11.53	38.88	-10.84
1975–80	2.75	-6.45	8.10	17.03	-1.37	2.90	-4.46
1981–85	-2.48	11.75	-6.75	-8.41	-8.75	-3.95	0.32

Source: S.A. Olanrewaju, "The Nigerian Economy and National Defence" in E. A. Ekoko and M. A. Vogt (eds), *Issues and Problems in Nigeria's Defence Policy*. Jaji: Command and Staff College Publication, 1989 (forthcoming)

The table reveals that during the period 1981–85, GDP, the mining sector, the manufacturing sector, the building sector as well as distribution, recorded negative growth rates, while the agricultural and service sectors recorded positive growth rates. More interesting is the fact that the agricultural sector, which had consistently recorded negative growth rates and had been a drag on the economy, turned out to be the main growth point of Nigeria's depressed economy in the 1980s. This is as a result of increasing emphasis on agricultural production due to the collapse of the petroleum sector, which had hitherto been the prime mover of the Nigerian economy, as well as due to the relatively good weather. Table 5 clearly demonstrates one of the critical dimensions of Nigeria's current economic crisis, which is the slow growth of output in the 1980s.

The manufacturing sector has in particular suffered from this declining output as a result of a drastic reduction in capacity utilization due to shortage of raw materials. By 1986 the overall average capacity utilization of the Nigerian manufacturing sector, an index of economic performance, stood at 20 per cent. A one-time Secretary to the Federal Military Government, Chief Olu Falae, announced that the capacity utilization in this sector had risen to 50 per cent by June, 1988 (Daily Times, 3rd June, 1989), but even this is still a low figure.

### 2.2.2 *The Foreign Exchange Crisis*

Another critical dimension of Nigeria's current economic problem is the foreign exchange crisis. As a result of dwindling foreign exchange earnings from crude oil, the nation has experienced terrible shortfalls in foreign exchange. The foreign exchange crisis manifested itself in terms of balance of payments problems, a rising external debt and debt-servicing burden, as well as the inability of the nation to import crucial capital and intermediate goods to execute its development projects and programmes.

Table 6 presents Nigeria's balance of payments position between 1980 and 1987. It reveals that between 1981 and 1983, the last three years of President Shagari's first four-year term, Nigeria incurred a balance of payments deficit of N4.6799 billion. This was during a period when Nigeria earned N26.620 billion from oil exports and N0.739 billion from non-oil exports, making a total of N27.3586 billion (Central Bank Report, 1983, p. 89). Between 1984 and 1987, with the exception of 1986, Nigeria recorded surpluses on her balance of payments accounts. Consequently, the overall deficit was reduced to N2.2109 billion between 1980 and 1987. These deficits in the nation's balance of payments accounts caused a draw-down on the country's reserves.

As a result of the country's inability to pay for imports, and of the dwindling foreign reserves, Nigeria accumulated trade arrears during the period 1980 to June 1986, the period before the operation of the Second-tier Foreign Exchange Market (SFEM). These accumulated trade arrears, coupled with external borrowing, led to a mounting external debt and debt servicing burden. Table 7 presents Nigeria's outstanding external public debt (owed by both the federal and state governments) between 1980 and 1987. The figures shown are amounts outstanding at the end of December in each year, except 1987 which shows the figure as at October.

As at October 1987, Nigeria's outstanding public debt was N100.7891 billion, or about US\$23.5 billion. Official statistics puts Nigeria's external public indebtedness as at June 1989 at about US\$17 billion. However, the World Bank estimates that Nigeria's external debt was US\$32.459 billion as at December 31, 1988. Table 7 also shows the debt service payments (capital payment and interest) for the period between 1983 and 1987. In the 1989 budget, about N8 billion was set aside for debt service payments. These huge debt service payments limit the amount available for implementing development programmes and projects locally, and hence impose a high burden on the economy.

Table 6. Nigeria's Balance of Payments Position, 1980-1987

Year	Overall Balance (N Million)
1980	2,402.2
1981	-3,036.8
1982	-1,398.3
1983	-244.8
1984	354.9
1985	349.1
1986	-796.4
1987	159.2
Overall deficit (1980-87)	-2,210.9

### 2.2.3 Galloping Inflation and Mounting Unemployment

Nigeria was plagued in the 1980's by the twin problems of high inflation and high unemployment rates. Following Philip's curve analysis, traditional economics postulates a trade-off between inflation and unemployment; that a country which wants to reduce inflation must be willing to put up with a higher level of unemployment and vice-versa. However, in the 1980's, world-wide and in Nigeria, events have disproved this trade-off thesis. Both high inflation and high unemployment rates now co-exist, giving rise to what has come to be known as stagflation. These twin problems are crucial elements of Nigeria's current economic crisis. The high inflation rate has in particular been fuelled by the under-valuation of the naira due to the operation of the Foreign Exchange Market (FEM).

Table 8 presents the composite consumer price indices for the period 1980 to 1987, with 1975 as the base year. The composite consumer price index for all items increased

Table 7. External Public Debt (Federal and State Governments) as at the end of stated period

Period*	Amount Outstanding (N million)	Debt Service Payments during the year (N million)
1980	1,866.8	-
1981	2,331.2	-
1982	2,594.7	-
1983	10,893.5	1,337.0
1984	14,536.6	2,515.1
1985	17,290.6	3,717.9
1986	41,451.9**	6,316.0
1987	100,789.1***	3,574.6

\* End of period is December each year, except 1987 figure which is for October

\*\* A first-tier foreign exchange rate of US\$1=N2.5954 as at December, 1986 was used

\*\*\* A FEM Central Rate of US\$1=N4.2989 as at the end of October, 1987 was used. The large increase in the nominal value of outstanding debt is mainly due to fluctuations in exchange rates.

Sources: Central Bank of Nigeria, *Annual Reports and Statement of Accounts*, various issues 1982-1989.

from 204.8 per cent in 1980 to 561.6 per cent in 1987, an increase of almost 300 per cent. Similarly, the food price index rose from 199.7 per cent in 1980 to 541.9 per cent in 1987, also an increase of almost 300 per cent. The rapid increase in the general price level, especially that of food prices, has eroded the people's standard of living as the purchasing power of income continued to fall rapidly. Rising food prices can be attributed to rising costs of production as well as to the demonstration effects of the rising general price level on food prices due to depreciation of the naira on the foreign exchange market. In pricing their products, farmers not only consider their high cost of production, but also the high prices of the goods and services on which they spend their income. The high cost of living, especially rising food prices, has brought untold suffering to the masses in terms of loss of welfare.

Table 8. Composite Consumer Price Indices, 1980-1987  
Base: 1975 = 100

Year	All Items	Food
1980	204.8	199.7
1981	247.5	250.2
1982	266.5	272.4
1983	328.4	335.6
1984	458.4	479.7
1985	483.7	498.5
1986	509.7	499.2
1987	561.6	541.9

Source: Central Bank of Nigeria, *Annual Report and Statement of Accounts*, various issues 1982-1987

The welfare effect is worsened by the rising open unemployment experienced nation-wide. Table 9 presents official unemployment figures for the period June 1985 to September 1987. These official figures grossly underestimate the true unemployment situation in the country.

Table 9. National Unemployment Rates, June 1985–September 1987

Survey Periods	Composite Rate (National)	Urban Rate	Rural Rate
June 1985	4.3	4.7	3.0
December 1985	6.1	9.8	5.2
June 1986	6.1	11.0	4.9
December 1986	5.3	9.1	4.6
June 1987	6.0	10.6	4.9
September 1987	7.4	12.2	6.2

Source: Federal Republic of Nigeria, *Ministry of National Planning Economic and Statistical Review*, 1987 Lagos: Federal Government Printer, 1988

Table 9 reveals that the urban environment presents a more serious unemployment problem than the rural areas. The urban unemployment rate rose from 4.7 per cent in June 1985 to 11 per cent in June 1986, fell marginally to 9.1 per cent by December 1986 and rose thereafter, reaching 12.2 per cent by September 1987. The rural unemployment rate ranged between 3 per cent and 6 per cent during this period, thereby reducing the national average to between 4.3 per cent and 7.4 per cent during the survey period. One feature of this open unemployment problem is the rising unemployment among the graduates of the nation's higher educational institutions, especially university graduates, whatever may be their discipline. The unemployment crisis compelled the Federal Government to establish the Directorate of Employment in 1986 as a means of reducing the unemployment crisis.

#### 2.2.4 The Mobility Crisis

Nigeria has been experiencing a serious mobility crisis, especially since the introduction of the Structural Adjustment Program (SAP) in July 1986. This mobility crisis has been particularly serious in the cities. As the prices of motor vehicles rose astronomically due to the high exchange rate, it became practically impossible to buy new vehicles. The rising cost of spare parts also created serious maintenance problems for the existing vehicles, and they disappeared from the road in thousands every month.

Table 10, which shows the situation of commuter vehicles in Lagos metropolitan area between 1978 and 1987, is indicative of the conditions operating nation-wide. The figures in this table are very revealing. The number of all categories of vehicles increased steadily up to 1984 and declined sharply thereafter. The shortage of commuter vehicles has created a tremendous mobility crisis in Nigeria, a situation which forced the Federal Government to embark on a mass transit programme in 1988 in a bid to ease the transportation problem nation-wide. We will return to this issue later in this report.

**Table 10. Total Number of Registered Vehicles by the Lagos Central Licensing and Parking Authority, 1978–1987**

Type of Vehicle/Year	1978	1979	1980	1984	1986	1987 (up to 31st August)
Danfo/Minibus	2,432	2,565	3,283	21,035	739	259
Molue/Bolekaja	647	696	1,712	3,216	456	188
Omnibus/911 bus	200	301	591	958	n.a	n.a
Taxi-cabs	n.a	n.a	13,371	39,061	2,487	921
Car-hire	n.a	n.a	926	n.a	2,665	1,565
<b>Total</b>	<b>3,279</b>	<b>3,562</b>	<b>24,883</b>	<b>55,270</b>	<b>6,347</b>	<b>2,933</b>

Source: UNIFECS, *The Social and Labor Aspects of Urban Passenger Transport Problem in Africa: The Lagos Case of Study*. A report of study conducted for the International Labor Organization Ile-Ife, December 1987, p. 26

### **2.3 Policy Responses to Nigeria's Economic Crisis**

This section will concentrate on two major policy responses to Nigeria's economic crisis since the 1980s. These are the Economic Stabilization Measures of April 1982 and the Structural Adjustment Program introduced in July 1986.

#### **2.3.1 Economic Stabilization Measures of April 1982**

As the glut in the international oil market continued unabated, and the country's balance of payments situation continued to deteriorate persistently, external reserves were drawn down. Thus, by April 1982, the external reserves had fallen to such a dangerously low level that it could hardly finance one month's imports at the level of importation then prevailing. In the circumstances, it became imperative for the Federal Government to take immediate action to protect the balance of payments and revamp the economy. Thus, the President proposed emergency stabilization measures to the National Assembly, which approved them without delay. It then became law as the Economic Stabilization (Temporary Provisional) Acts 1982. Some of the measures proposed in the 1982 Budget which were then being debated in the National Assembly were incorporated into the stabilization measures (Central Bank of Nigeria, 1982 p.6).

The stabilization measures announced by the president on 21 April, 1982 were as follows:

- (a) Exchange Control Measures: Measures introduced to control foreign exchange include:
  - reduction of Basic Travel Allowance (BTA) from N800.00 to N500.00 per person of the age of sixteen and above per annum, with no allowance for children under the age of sixteen;

- pegging of the number of pilgrims permitted to perform the Hajji in 1982 to a maximum of 50,000, though BTA was left at N800.00 per person per annum;
- reduction of business travel allowance from N3,000.00 to N2,500.00 per annum for registered companies;
- the life of form 'M' was restricted to 6 months, as against one year and its registration was centralized in the Central Bank's headquarters in Lagos;
- reintroduction of pre-shipment inspection for spare parts, raw materials and books and the introduction of pre-shipment inspection for frozen and canned fish; and
- limiting the powers of authorized dealers to grant exemption from pre-shipment inspection to application for amounts of not more than N5,000 as against N10,000 before.

(b) *Monetary Policy Measures:* The monetary policy measures introduced include the following: Compulsory advance deposits for imports were imposed on certain classes of imports such as raw materials (25%), spare parts (25%), food, except rice (50%), medicaments (50%), building materials (50%), capital goods (50%), motor vehicles and trucks (200%), motor cars (250%), and other goods (200%). However, in October 1982 the advance deposits in respect of raw materials and spare parts were reduced to 10 and 15 per cent respectively (Central Bank of Nigeria, 1982, p.6). The figures in parenthesis are the percentage deposits relative to the value of imports. The banks were directed to create a separate account for the deposits so collected and deposit them with the Central Bank of Nigeria, interest free. However, in the case of imports for which credit facilities of more than six months from the date of shipment had been obtained, no advance deposit was imposed.

As part of the monetary policy, all interest rates were revised upwards across the board by two percentage points from their existing levels, but later in the year in November 1982, they were reduced by one percentage point.

(c) *Fiscal Policy Measures:* The following fiscal policy measures were introduced by the Federal Government:

- frozen chicken and gaming machines were totally banned from importation and 29 other commodities were removed from open general license and placed under specific import license requirement;
- there were tariff changes on 49 import items with most of the changes being increases in the rate of duties while others were introduction of new import duties;
- as a revenue-yielding measure, new rates of excise duty ranging from 5 to 45 per cent were imposed on a number of commodities, including cigarettes, towels, fabrics, cosmetics and perfumes, paper napkins, electric fans, locks, bicycles and motor cycles
- intensification of anti-smuggling activities, including the strengthening of the Task Force and the X squad, giving adequate remuneration to customs officers and informants, introduction of more container depots

and X-ray equipment, intensification of market, seaport and airport raids, and stepping up of training facilities for customs officers.

### 2.3 Appraisal of the Policy Measures

It is not possible to make an in-depth appraisal of or isolate the achievements of different measures or classes of measures because of paucity of data. What we shall attempt is a general review of the developments in the economy during and after the implementation of the policy measures.

The measures did not have much impact on the economy, as the recession continued unabated. However, a look at Table 4 shows that the contribution of agriculture to GDP increased from 20.51 per cent in 1981 to 25.71 per cent in 1982, and further to 31.70 per cent in 1983. In particular, output of staple food crops, livestock products and fish was fairly encouraging in 1982, with increases of 4.4, 5.2 and 3.1 per cent compared with 3.7, 2.9 and 1.7 per cent, respectively in 1981 (Central Bank of Nigeria 1982, p.7). Table 4 further shows that the mining sector's contribution declined consistently from 26.32 per cent in 1981 to 20.89 per cent in 1982, and further to 15.86 in 1983. The shortage of raw materials due to shortage of foreign exchange resulted in low capacity utilization, estimated at as low as 20 per cent in 1986. Smuggling also continued to pose a serious threat to the nascent manufacturing sector.

As a result of the continued recession in the economy, there was a lull in investment. This had an adverse impact on the creation of new jobs. Also, the embargo placed on employment in the public sector, especially that of junior cadre, and the retrenchment of workers in the private sector heightened the problem of unemployment. The rate of domestic price inflation also accelerated (see Table 8), thereby worsening the standard of living and welfare of the masses.

The compulsory advance deposit introduced in 1982 created more debt problems. As the Central Bank failed to remit payments for imports due to shortage of foreign exchange, trade arrears accumulated. As a result, banks stopped opening letters of credit to anybody in Nigeria, and creditors in turn stopped shipping goods to the country.

When General Buhari took over power in 1984, the idea of accepting the IMF loan facilities was mooted, but the nation was not willing to accept IMF conditionalities. The negotiations for the IMF loan were still on when General Buhari's administration was overthrown and General Babangida came into power in 1985. The new military administration subjected the issue of the IMF loan to national debate, leaving it to the people themselves to decide. The people's verdict was a capital "No" to the IMF loan; hence the Federal Military Government rejected the loan, but accepted the conditionalities.

Since the IMF loan option had been rejected, the government promised to put in place an alternative internally-conceived strategy to revamp the ailing economy. But then, the new government inherited a heavy debt burden of about \$19 billion, and the situation was such that the nation could hardly import again as a result of acute foreign exchange shortage. Thus, in July 1986 General Babangida's administration put in place the Structural Adjustment Program (SAP), designed to last for two years (July 1986-June 1988), as the administration's program for economic recovery.

## 2.4 Elements of the Structural Adjustment Programme

The aim of the Structural Adjustment Program (SAP) is to effectively alter and restructure the consumption and production patterns of the economy as well as to eliminate price distortions and heavy dependence on the export of crude oil and imports of consumer and producer goods.

The main elements of the SAP are: debt rescheduling, elimination of complex administrative controls, adoption of a realistic exchange rate policy, a tariff structure designed to discourage imports and encourage exports, adoption of appropriate pricing policies in all sectors with greater reliance on market forces, rationalization and restructuring of public expenditure, privatization, and commercialization of public enterprises.

The first round of negotiations to reschedule Nigeria's external debt started in 1986. At the end of the negotiations with the various creditors, such as the London Club and the Paris Club, in 1987, the nation was able to reschedule some of its debts for about 10 years. During the second round of negotiations in 1988, Nigeria was able to achieve about 22 years' repayment period. Consequently, the government has been able to reduce the proportion of foreign exchange earnings devoted to debt service payments to about 28 per cent, compared with 40 per cent in 1986.

The second element is elimination of complex administrative controls. Under this, a number of reforms were carried out. The commodity boards were abolished and export pricing was liberalized, thus allowing farmers to get the full benefit of the world market for their products. As a result of the new foreign exchange system, the domestic prices of export products increased substantially. For example, the price of cocoa increased from N1,600 per ton in the 1985/86 season to N6,000 in 1986/87, N16,000 in 1987/88 and N27,000 in the 1988/89 season. Consequently, it was reported that cocoa export volume increased from 80,000 tones in the 1985/86 season to 245,000 tones in the 1988/89 season (Daily Times, 3 July 1989, p.28). This increase in cocoa export was attributed not to newly planted cocoa trees, but to farmers paying better attention to old cocoa trees. As a result, Nigerian cocoa farmers have been going through a period of cocoa boom since 1986.

However, the cocoa boom may turn out to be a temporary feature as world cocoa price has started to tumble. The price had fallen from 1,200 in 1986 to 800 by June 1989. With a possible appreciation of the naira on the foreign exchange market, domestic cocoa price and the prices of other primary products are bound to fall. Farmers may be badly affected, especially since prices of farm inputs, which had also gone up many-fold, are unlikely to come down.

Perhaps the most important element of the SAP is the exchange rate system. In 1985, one naira was exchanging for about \$1.6. At this exchange rate, the naira was no doubt over-valued. Over-valuation is, however, a relative concept and there is no consensus among scholars as to the extent of the over-valuation. In order to find a realistic and sustainable market-determined exchange rate for the naira, the Second-Tier Foreign Exchange Market (SFEM) commenced on 29 September 1986. Such a realistic exchange rate was expected to eliminate the distortions in all the major sectors of the economy, reduce demand for foreign exchange to the available supply, reduce imports, stimulate exports and pave the way for a more self-reliant and sustainable growth. When the SFEM first started, it operated side by side with the first tier-market for the first few months.

With the exception of transactions related to government debt, contributions to international organizations and transfers to Nigerian missions abroad, all other transactions were channelled through the SFEM. Eventually both rates were merged and the system became known as the Foreign Exchange Market (FEM). The weekly biddings were also changed to fortnightly biddings. However, an autonomous market was introduced and the market continued to have two parallel rates: the SFEM rate and the higher autonomous market rate. The operation of the autonomous market led to further depreciation of the naira, and the naira became grossly under-valued. In a bid to find a realistic exchange rate for the naira, the 1989 budget abolished the autonomous market and established a bureau de change, so as to increase the number of authorized foreign exchange dealers. The fortnightly biddings were also abolished, and Nigeria now operates a floating exchange rate system, whose rates are determined daily, in relation to major international currencies.

The value of the naira has depreciated a lot since the beginning of SFEM in September 1986. The pre-SFEM rate on 25 September 1986 was about N1.5 to \$1.00. The effective SFEM rate as determined by the marginal rate emerging from the market on 26 September 1986 was N4.6174 = \$1. By the eleventh weekly bidding on 4 December 1986, the exchange rate had increased rapidly and it stood at about N7 to a dollar as at 24 July 1989. This depreciation of the value of the naira has been a major source of the galloping inflation in the country, since Nigeria operates an import-dependent economy.

This inflationary effect of foreign exchange has put an unbearable burden on the masses. It led to country-wide anti-SAP demonstrations in May 1989, which forced the Federal Government to hurriedly release a number of SAP-Relief Measures to ameliorate the social cost of SAP.

The rapidly rising price of food staples such as yam, maize, cassava, coco-yam, sorghum, rice, beans, etc., that are produced locally is most disturbing since many families can no longer feed well. Prices of food staples produced locally appear to follow the prices of imported goods, since both are sold in the same market. This is some sort of demonstration effect. Another possible reason for the increasing food prices is the rising prices of certain inputs such as hoes and cutlasses used by farmers, which are largely imported. If farmers pay more for inputs, they also have to raise prices of their products.

One major advantage of the foreign exchange system is that it has eased the problem of acquisition of imported raw materials by manufacturers. This has in turn increased capacity utilization in the manufacturing sector to between 40 and 50 per cent, and has enhanced the availability of manufactured goods in the country, though at very high prices. The high level of capacity utilization has, however, not been translated into a higher employment level.

The new foreign exchange system has also had a salutary effect on the balance of payments situation. There are no more trade arrears from current importation; a surplus in the balance of payments has been achieved since 1987 and the foreign reserve has also been rising steadily in the recent past.

Another element of the SAP is the liberalization of the interest rates regime announced in 1988. This policy was designed to encourage savings as well as to allow the market forces to determine appropriate interest rates and, therefore, to discourage investors as the borrowing rate had become too high. The burden is too high, in particular for small-scale industrialists.

As means of rationalization and restructuring public expenditure, privatization and commercialization of public enterprises as well as removal of subsidies were part of the SAP.

Furthermore, under SAP, government has pursued the issue of removal of petroleum subsidy. Thus, the Federal Government increased the price of gasoline (super) from 39.5 kobo to 42 kobo in April 1988 and to 60 kobo for private vehicle operators in January 1989, while commercial vehicle operators continued to buy fuel at 42 kobo. This aspect of the SAP has also been inflationary as transportation cost has risen many-fold. This two-pricing system was unified in January 1990 with all users paying 60 kobo per litre.

An appraisal of the economic objectives of Nigerian SAP up to the end of 1988 indicates overall that, in terms of its stated objectives, some success has been recorded, especially in terms of reducing the level of public sector investment and export base diversification, as well as some failures (e.g., the economy is still dependent on the oil sector and on imports), while for other objectives (e.g., relative growth in revenue and expenditure, GDP, unemployment levels, etc), the result is mixed or inconsistent over the period (Phillips 1990).

Table 11 contains a summary of the various measures of SAP's impact on the Nigerian economy in the light of its initial objectives. On the whole, the table shows that within the first three-year period of SAP, the negative scores are more than positive or mixed scores.

It is important to point out in concluding this section that the Nigerian economic crisis has been accompanied by a profound governance crisis, with military rule displacing civilian governments (1983) and one military ruling group displacing another one (August 1985). These are in addition to the several unsuccessful military coups (two major publicized ones in 1986 and 1990), widespread rioting in May 1990, and localized cases of violence. All of these underscore the strong and mutually reinforcing relationships between the economic and governance crises.

In 1987, after a nation-wide discussion of the political future of the country under the auspices of a political bureau, the country launched a five-year transition program to civil rule which is expected to terminate in 1992. The distinguishing features of this program include: the phased program of withdrawal of the military from governance beginning with local governments (1989) to state governments (1991), and finally the federal government (1992), and the complete ban placed on all those who have participated in the politics of the First and Second Republics.

Table 11. SAP Achievement Indicators 1985–1988

Indicator	Positive	Negative	Mixed
1. Output Diversification		x	
2. Dependence on Oil Sector		x	
3. Import Dependence		x	
4. Revenue Diversification		x	
5. Relative Growth in Revenue and Expenditure			x
6. Importance of Public Sector Investment in Productive Activities		x	
7. Importance of Public Debt Charges in Recurrent Expenditure			x
8. Export Base Diversification	x		
9. Dominance of Oil Export		x	
10. Relative Growth in Exports and Imports			x
11. Importance of Imported inputs in Total Imports		x	
12. Importance of Raw material Imports in Total Intermediate Inputs		x	
13. Importance of Capital goods Imports in Total Imports		x	
14. Growth of Capital Formation		x	
15. Relative Growth in Factor Income and Consumption Expenditure			x
16. Relative Growth in Profits and Wage Income			x
17. Relative Growth in GDP and GDP Deflators			x
18. Relative Growth in Wage Income and Inflation Rate		x	
19. Unemployment Rate			x
20. Quality of Output		x	x
21. Quantity of Output		x	

Source: Adedotun O. Phillips "Economic Impact of Nigeria's Structural Adjustment Program", typescript, August 1990.

Notes:

"Positive" means actual trend is in conformity with expectation.

"Negative" means actual trend is against expectation.

"Mixed" means actual trend is in conformity with expectation in some years and against it in others.

# 3

## An Overview of the Impact of the Economic Crisis on Nigerian Public Administration and of Administrative Response

This section contains a general survey of the major effects of the economic crisis as well as of the economic policies discussed in the last section on the Nigerian public administration system. In addition, we also examine the responses of the administrative system by way of efforts at administrative reform to the economic/governance crises already described. The discussion makes use of the model presented in Table 1 to present our major findings.

### 3.1 Impact of the Economic Crisis on Nigerian Public Administration

The economic crisis has had a profound impact on the Nigerian public administration system. Some of the most important effects are discussed below:

#### 3.1.1 *Scope of the Public Sector*

If we take 1981 as the period when the Nigerian economic crisis began to manifest itself, an important effect of the economic crisis and the policies pursued by the various governments as reviewed above has been the contraction of the Nigerian public sector, both in terms of the absolute size of government expenditures and the ratio between government expenditures and the gross domestic product (GDP). With respect to absolute expenditures, government total expenditures (TE) fell from N20.5 billion in 1981 to N13.6 billion, N16.97 billion and N16 billion in 1984, 1985 and 1986, respectively. Even after the devaluation of the naira in 1986, TE were N30 billion and N32 billion for 1987 and 1988, respectively. If these figures were divided by the factor of inflation (50%), the TE would have fallen from N20.5 billion in 1981 to N16 billion in 1988 (see Table 12).

During the period, the ratio of TE/GDP fell from 40% in 1981, when GDP was N50.65 billion (at constant factor cost), to 24.7% in 1984 (GDP at N55.25 billion), when it began to pick up again, but it still stood at only 30.1% in 1988 (GDP of N108,870 billion).

It thus means that the Nigerian government has succeeded in its immediate goal of reducing the burden of managing social and economic services on the public sector. By implication, a much larger scope is being given to the private sector even as the scope of the public sector contracts. This trend contrasts with the trend in the last two decades when the public sector share of expenditures in the quinquennium plans rose from 56% during the first plan (1962–68) to 62%, 71% and 86% in the second (1970–74), third (1975–80) and fourth (1981–85) national development plans, respectively (see Table 13).

#### 3.1.2 *Coping with Revenue Shortfall*

It is important to bear in mind the fact that the Nigerian economic crisis is linked to the sharp reduction in oil revenues. The latter fell from N12.4 billion in 1980 by

Table 12. Federal and State Governments Recurrent and Capital Expenditure as a Proportion of the Gross Domestic Product, 1981-1989

Year		Federal	State	GDP N mill.	Govt Exp/GPD %
1981	Recurrent (R)	5,498.9	3,663.5	*50,658.3	40.6
	Capital (C)	5,697.0	5,690.7		
	Total (T)	11,195.9	9,354.2		
1982	R	4,755.0	3,901.1	*53,859.4	35.3
	C	4,987.4	5,975.2		
	T	9,742.4	9,876.3		
1983	R	5,278.8	4,218.8	*53,347.2	34.0
	C	4,033.7	4,581.6		
	T	9,312.5	8,800.4		
1984	R	6,072.5	4,093.2	*55,249.2	24.7
	C	2,783.0	668.8		
	T	8,855.5	4,762.0		
1985	R	5,473.3	4,778.7	*58,346.3	29.2
	C	5,807.4	985.4		
	T	11,280.7	5,764.1		
1986	R	5,635.8	4,087.9	*72,010	22.5
	C	5,446.0	1,010.9		
	T	11,081.8	5,098.8		
1987	R	15,646.2	5,721.2	88,499	34.2
	C	6,372.5	2,542.3		
	T	22,018.7	8,263.5		
1988	R	16,2066	7,004.9	108,870	30.1
	C	6,088	3,397.4		
	T	22,394	10,402.3		
1989	R	20,810	8,140	N.A.	N.A.
	C	9,297	4,834		
	T	30,107	12,974		

- Sources: 1. Central Bank Annual Reports 1982-87  
 2. Federal Government Approved Budget for 1988/89  
 3. *Structural Adjustment Program 1986-88 (Lagos)*

\* GDP at current market price for various years

approximately one half of this figure to reach an all-time low of N7.8 billion in 1983. Even though government revenues from oil have risen in absolute terms, (N21 billion and N22.5 billion, respectively, in 1986 and 1989), the high inflation and devaluation rates imply that these figures might be less than half of the pre-1986 figures (Tables 14 and 15).

Table 13. Public Sector Share of National Development Plans in Nigeria

Plans	A Total Expenditure	B Share of Public Sector	C Percentage of A
First Plan, 1962–68	N2.4bn	N1.0 bn	56%
Second Plan, 1970–75	N3.3bn	N2.052bn	62%
Third Plan, 1975–84	N35bn	N32.9bn	71%
Fourth Plan, 1981–85	N82bn	N70bn	86%

Adapted from L. Adamolekun, *Public Administration: A Nigeria and Comparative Perspective*, Longman, Ikeja, 1983, p.5. and Dele Olowu "Development Administration In Africa, *African Administrative Studies* 23, 1984, p. 92

Indeed, it is this decline of revenues that explains the reduction in public sector size and other responses of government. A number of actions have been put in place to cope with this revenue shortfall. These include:

- (i) the development of non-oil revenue sources and diversification within the oil industry;
- (ii) elimination of subsidies on petroleum products consumed locally and agricultural inputs such as fertilizers and pesticides; and
- (iii) a policy of reducing overall public sector deficit. This fell from 11.6% of GDP in 1983 to 2.7% in 1985, although the Federal Government has been inconsistent in this area. As a result, the figure rose to 6.1% and 7.8% in 1987 and 1988, respectively.

The remaining parts of this report relate in detail the strategies that have been adopted by the Nigerian government for reducing public expenditures arising from this shortfall in revenues.

Table 14. Oil Revenue Contribution to Government Revenue, 1980–1988

Year	Total Revenue (N Million)	Oil Revenue (N Million)	Oil Revenue/Total Total Rev. %
1980	15,234.0	12,353.8	81.1
1981	11,978.9	9,116.4	71.5
1982	11,748.8	7,814.9	66.6
1983	10,847.4	6,786.4	69.0
1984	11,133.7	8,209.7	73.6
1985	14,606.1	10,915.1	74.7
1986	12,302.0	8,107.3	65.9
1987	25,099.8	19,027.0	75.8
1988	27,310.8	20,933.8	76.7

Sources: 1. Central Bank of Nigeria, *Annual Reports and Statement of Accounts* (various editions)

2. Federal Government Approved Budget for 1988 and 1989

### 3.1.3 Greater Emphasis on Maintenance Rather than New Projects

In the years when there was an oil boom, more emphasis was given to the creation of new projects. New projects are conventionally referred to in Nigerian policy circles as "capital expenditures" while maintenance expenditures are referred to as "recurrent expenditures". The latter has two components: **Personnel emoluments** i.e. salary and benefits and **supplies and expenses**. Up to the early 1980s (1981/82), capital expenditures (51% of total expenditures) were higher than recurrent expenses (49%). However, from 1983 to 1989, the average for the period was: 66% (Recurrent) and 34% (capital), there has been a complete switch with recurrent expenditures on the higher side.

Several strategies are being utilized to reduce capital expenditures. The first is the reduction in the government's direct involvement in agricultural production and an increased focus on making services (especially infrastructure and special inputs such as hybrid seeds, pesticides, etc.) available to farmers through institutions such as the Directorate of Food, Roads and Rural Infrastructures (DFRRI) and the World Bank-

Table 15. The Fiscal Profile of the Nigerian Federal Government, 1970-1987

Year	Retained Revenue 1	Recurrent Expenditure 2	Recurrent Surplus	Capital 3 Expenditure	Overall Surplus (+) Deficit (-)
	Nm	Nm	Nm	Nm	Nm
1970	365.6	638.3	-272.7	200.6	-473.3
1972	1,073.8	681.4	392.4	295.9	96.5
1974	3,894.0	2,082.8	1,811.2	1,223.5	487.7
1976	6,723.9	3,773.4	2,950.5	4,041.3	-1,090.8
1978	6,229.3	3,427.7	2,801.6	5,092.3	-2,290.7
1980	12,138.7	6,022.0	6,116.7	8,091.9	-1,975.2
1982	5,819.1	5,506.0	313.9	6,417.2	-6,103.3
1984	7,811.9	6,072.5	1,739.4	4,270.1	-2,530.7
1986	8,056.0	5,635.0	2,425	5,946.0	-3,325
1987	10,970.0	10,749.0	221	6,758.0	-6,532(4)
1988	15,588.6	13,708.6	482.8	8,340.1	-5,889.7
1989	17,218.0	20,810.0	N.A.	N.A.	N.A.

1. Total federal collected revenue less statutory appropriations to State Governments.
2. Excludes statutory allocations to State Governments and transfers to development fund
3. Excludes loans-on-lent to State Governments
4. To this must be added the contingency Revenue Estimates of N4,514m and N819m from withdrawal of Petroleum Subsidy to give an overall deficit of N1,204m.

Source: Central Bank of Nigeria:

1. Annual Report and State of Accounts (various years)
2. Economic and Financial Review (various volumes) Federal Republic of Nigeria: *Approved Estimates*, 1986 Fiscal Year, Federal Government Printer, Lagos

Adapted from Mbanefoh, G.F., *Elements of SAP in Nigeria: Public Expenditure Policies 1988*, p. 6 (1970-87)

Table 16. Federal Government Capital Expenditure, 1979-89 (in percentage)

Actual	Estimates			Actual		Provisional			Estimates	
	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Administration										
Sub-total)	15.9	5.3	10.4	11.6	16.1	4.8	5.6	2.9	28.5	12.4
General										
Administration	4.2	5.8	2.6	4.8	5.0	2.2	1.8	2.0	24.2	5.6
Defence										4.2}
Internal Security)	(11.7)	(9.5)	(7.8)	(6.8)	(12.1)	(2.6)	3.8	0.9	4.3	2.6}
Economic Services	58.1	64.9	62.6	65.2	61.9	12.2	11.7	12.1	33.2	24.6
Sub-Total										
Agriculture	2.0	4.9	3.7	7.5	6.5	3.0	2.4	4.1	7.0	5.6
Water Resources		5.3	6.1	6.1	10.0	2.9	2.1	-	-	-
Manufacturing and Mining	19.2	7.9	22.2	31.3	25.3	1.5	4.5	1.5	15.8	9.4
Transport and Communication	30.6	27.1	24.5	16.1	16.1	4.6	2.5	3.1	8.5	6.6
Others	6.3	9.7	3.8	4.9	3.1	0.2	0.2	3.4	2.6	3.0
Social and Community Services										
(Sub-Total)	12.7	15.8	17.5	16.1	15.1	4.4	13.4	13.3	9.7	13.3
Education	6.3	8.7	6.7	6.1	5.1	1.6	1.5	4.3	1.7	2.7
Health	0.9	2.2	2.0	1.6	2.0	0.7	0.7	0.7	0.9	1.7
Housing		4.0	5.0	2.6	7.4	2.0	3.2	6.1	-	2.3
Others	5.5	0.9	3.8	5.8	0.6	0.1	7.9	2.2	7.3	6.6
External										
Financial obligations	13.3	4.0	9.5	7.1	6.9	78.6	62.3	77.8	27.0	11.9
Sub Total	0.5	0.4	2.8	1.1	0.7	6.5	6.3	0.5	1.3	2.3
Capital										
Repayments						29.5	33.6	65.0	20.9	4.9
Internal Loan )										
External Loan)						(9.2)	(9.0)	(6.2)	20.9	14.2
Loan to Parastatals and Government Owned Companies						39.4	26.4	-	-	
Loans on Lent to States	12.8	3.6	6.7	6.0	6.2	-	-	-	-	23.6
Outstanding Liabilities (Domestic)								5.7	4.7	
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

\* Phased Commitments due in 1989

\*\* Special Projects (1988 and 1989)

Sources: 1. Various editions of Central Bank of Nigeria, Annual Report and Statement of Accounts  
 2. Approved Budget Estimates for 1989 Fiscal Year  
 3. Central Bank of Nigeria, Monthly Report, January 1989

Assisted Agricultural Development Projects. The latter used to be enclave projects but have now gone state-wide throughout the federation because of their remarkable successes. Also, DFRRI has succeeded in completing the first phase of its rural infrastructures program of providing the nation with 30,000 kilometers of rural roads and has now embarked on the second phase (a total of 90,000 km. is expected). There has thus been a shift from direct production activities to a facilitative role.

Table 17. Federal Government Recurrent Expenditure, 1979-89 (in %)

	Actual		Estimates			Actual		Provisional	
	1979	1980	1981	1982	1983	1984	1985	1986	1987
Administration (sub-total)	31.4	31.8	44.9	44.7	48.6	42.7	36.6	34.8	38.6
General Administration	10.3	10.1	19.6	22.9	30.7	22.0	13.9	19.7	19.0
Defence	2.1	17.2	15.0	13.6	10.1	12.8	15.2	9.5	12.6
Internal Security	n.a	4.5	10.3	8.2	7.8	7.9	7.5	5.6	7.0
Agriculture	0.7	0.9	0.7	0.7	0.6	0.7	0.6	0.5	0.5
Construction	0.1	3.9	5.8	4.5	3.5	3.2	2.5	3.7	4.1
Transport and Communication	1.1	1.4	1.2	1.1	0.9	0.7	0.8	1.2	1.8
Other Economic Services	1.7	1.5	2.6	2.6	2.7	0.6	0.4	1.3	0.6
Social & Community Services	16.0	13.5	17.7	20.3	17.2	12.2	15.7	11.2	3.0
Education	11.3	8.5	11.2	13.3	11.8	10.5	9.7	6.3	2.3
Health	1.1	2.9	2.5	3.2	2.7	0.3	3.7	1.7	0.3
Transfers (sub-total)	49.0	47.0	27.1	26.1	27.1	39.9	43.4	47.3	51.4
Public Debt Charges	17.0	23.9	20.1	21.0	21.1	24.4	39.9	39.0	39.5
(1) Internal	(11.4)	(9.3)	(7.0)	(7.1)	(7.1)	(12.3)	(26.3)	(32.1)	(24.4)
(2) External	(5.7)	(4.6)	(13.1)	(13.9)	(14.0)	(12.1)	(13.6)	(6.9)	(15.1)
Pension and Gratuities	5.6	2.3	3.9	5.0	5.9	3.7	3.0	8.0	0.9
Non Statutory Appr. to States	26.0	10.0	-	-	0.0	0.0	0.0	0.0	-
Grants and Subventions	-	-	-	-	-	-	-	-	10.5
Contingencies (others)	0.3	20.8	3.1	0.1	-	11.8	0.4	-	0.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Similarly, in the industrial sector, the federal (and some state) governments are divesting their ownership of industrial and commercial parastatals, turning a lot of these to private shareholders. Through a series of reforms of its regulative roles (a simplification of tariffs, liberalization of interest rates, etc), the Federal Government has reduced the protection given to the government-supported, large-scale, import-substituting industries. Instead, the emphasis now is on providing an appropriate macro-economic environment and incentives to private sector activities in this area, with special reference to small and medium-scale sub-sector enterprises. Similarly, federal and state governments are withdrawing from direct construction of public housing to providing financial incentives for private home-building activities.

Another strategy is the emphasis on the populist aspects of services delivery in contrast to past preoccupation with the tertiary and more sophisticated aspects. For instance, expenditure on health services rose from 0.7% of the total capital budget

between 1984 and 1987 to 1.6% between 1988 and 1989. Most of these expenditures went to the preventive aspects of health care rather than to the curative side, via the primary health care system. As a result, the coverage of health services in the country rose from 25% in 1980 to about 50% in 1988. The new health policy launched in 1988 targets that health will be accessible and available to all by the year 2000. Similarly, the Federal Government has resuscitated its interest in primary education and has enacted a Primary Education Fund into which all governments in the country make financial inputs, with the Federal Government providing the largest share of 65% (see section five).

There are similar mass-oriented programs in transportation (mass transit), agriculture (small loans and credits via specialized financial institutions, etc.) and employment. In fact, a national Directorate of Employment was created at the federal level in 1987.

A third strategy that has been adopted is to fund specific core projects while discouraging all others. The rule here is that such projects must be considered crucial to the nation's economic survival and transformation. In this category belong projects such as the iron and steel and natural gas industries.

### ***3.1.4 Higher Level Expenditures on Debt Servicing***

A substantial portion of the capital expenditures of the Nigerian Federal Government goes to debt servicing, whereas the largest share of federal capital expenditures used to be taken by economic sector services (agriculture, industries, etc.), followed by social services and 'transfers' or the servicing of external debts. The latter rose from 4% in 1980 to 78.6% of total capital expenditures in 1984 and the trend has persisted till the present time (Table 16).

Analysis of recurrent expenditures also shows that a substantial portion of the federal recurrent budget is being devoted to debt charges. Whereas only 21.2%, 42.2%, and 25.5% of the recurrent expenditures of the Federal Government was devoted to debt charges in the 1982, 1984 and 1986 budgets, respectively, the figures shot up to 61.2% in 1987 and 50.5% in 1988 (Table 17). On the whole, 47% of the 1987 budget and 32.1% of the 1988 budget were set aside for debt servicing. Many observers believe that these levels of debt servicing are much higher than the economy can bear. Table 18 gives a bird's eye view of the major investments made in respect of the various subsectors at the federal level between 1978 and 1989.

### ***3.1.5 Personnel Reduction and Wage Restraint as Measures for Reducing Recurrent Expenditures***

Two crucial policy reactions to the economic crisis have been the imposition of wage restraint since 1984 and vigorous attempts made to reduce personnel size. The latter was deemed necessary because it was reasoned that the oil boom led to unnecessary recruitment into the public sector, first because of the increasing activities of the public service in economic management, and secondly because politicians during the second republic saw public sector employment as a means of tackling the growing unemployment problem. The changed economic circumstances and the reduction of public sector size have now provided an opportunity to cut off what is regarded as excess 'fat' in the civil services.

Actions to reduce personnel size have taken many forms: in 1984–85, the Buhari/Idiagbon regime carried out a 'purge' of the public service, which was a repetition of the 1975 exercise carried out by the Murtala/Obasanjo military regime. The earlier exercise was estimated to have removed 11,000 public officials from the payroll. But within the federal civil service alone, the 1984 attrition processes led to the loss of 20,000 jobs. Whereas the staff strength of the federal civil service increased by ten times from 30,390 in 1960/61 to 302,424 in May 1984, the federal personnel size had been reduced to 283,000 by mid-1985, when a halt was called to the general purge/retrenchment exercise.

Table 18. Major Federal Expenditure Items, 1978–1989 (in Billion)

Federal	1978	1980	1985	1988	1989
Defence	1.0304	1.758	1.384	1.710	2.220
Agriculture	147	469	621	811	1.855
Transport and Communication	1.358	2.354	262	763	828
Education	569	1.238	823	1.787	3.399
Health	122	360	223	583	796
Public Debt Charges	561	870	5.107	11.826	19.428
Administration	569	1.096	1.149	4.755	4.585
Others	3.657	3.552	5.260	5.514	7.887
	8.287	11.697	14.829	24.465	41.028
Total Expenditure					
Total Revenue (Before Revenue Allocation)	6.815	15.234	14.60	27.310	50.272
Total Revenue (States)	2.576	5.456	4.845	10.360	11.502
Transfers (States)	1.787	4.128	3.261	8.181	9.900
Expenditure (States)	4.269	7.235	5.857	10.778	12.974
Total Public Debt (All Govts)	7.235	9.785	45.243	73.922	72.413
CPI (1975 = 100)	11.8	7.9	5.5	38.3	40.9
	22.800	41.917	60.721	130.934	157.470

Source: Central Bank of Nigeria, *Annual Statement of Accounts* Lagos (various years)

Some of these losses have arisen as a result of personnel audits, the discovery of ghost workers and, most importantly, the hiving off of some responsibilities from the public service. A number of staff became redundant as soon as government stopped or reduced subventions to some agencies. The worst hit sub-sector of the public service has been the parastatals sector.

Another measure adopted to reduce staff members is to encourage early retirement. Whereas the retirement age in the public service was 60 years, a directive was issued to all agencies to retire any one who has put in a maximum of 35 years of service within the public sector, and the directive subsequently became a part of the 1988 Civil Service reforms (see below).

The following data on retrenchment are indicative of the size of staff losses that have occurred in various sectors of the Nigerian public sector:

Nigeria Ports Authority	3,393
National Electric Power Authority	3,000
Universities	Several staff members (exact number not available)
Ogun State	5,769 (1983–1987)
Bendel State	1,642 (1986–1987); increase since then
Kwara State	4,712
Niger State	7,534

In addition, the Federal Government clamped on all establishments a freeze on hiring new staff, with only very special exemptions which had to be approved by the Chief Executive of each organization. It was not until the urban riots of May 1989 in connection with SAP that this action was reversed, with the government mandating that 65,000 unemployed people be given jobs in different parts of the public service.

The Nigerian government has not been so successful with its wage restraint policy. In 1988, an upward review of fringe benefits took place when each of the 17 stages of the Unified Salary Structure was elongated (popularly known as the Elongated Salary Structure). The review was bungled, however, as arrears were paid to workers and taken back later. Moreover, the level of wage erosion and salary compression is so high in the country that all grades of workers are dissatisfied (see Tables 19 A and 19B). In November 1989, the Nigerian Labour Congress proposed a 600% increase in the minimum wage from N125.00 to N1,500.00 to enable workers cope with inflationary pressure. The government was at first resistant to this request but finally agreed to negotiate the demand in the spirit of its policy which favoured collective bargaining between employees of labour and the working class.

### 3.1.6 Productivity

The economic crisis has led to a heightened consciousness of the need for efficiency in management within the public sector. This is the spirit of privatization and commercialization policies. Even within the main-line civil service, there is a greater drive towards cost-consciousness. Official vehicles and telephones have been withdrawn from civil servants, except from the most senior officers (grade levels 16 and above in the Federal Government). There is also talk of government rescinding its commitment to provide housing for its officials.

Table 19A. Trends in salary Compression in Selected African Countries

Country/Level	1970	1975	1983	Total % Change In Salary Compression 1975-1983
Malawi				
Under Secretary/Unskilled	N.A.	33	29.8	-9.7
Nigeria				
Permanent Secretary/Unskilled	29.9	17.6	9.2	-47.7
Sudan				
Deputy Under Secretary/Unskilled	19.2	14.5	9.3	-29.0
Zambia				
Under Secretary/Lowest Salaried	19.2 (1971)	14.5	6.9	-52.4

Source: D.L. Linduar, D.A. Mesook and P. Sueberg, *Government Wage Policy In Africa: Some Findings and Policy Issues*. World Bank Working Papers

Table 19B. Wage Erosion: Index of Real Wages In Nigeria for the Top Middle and Lowest Grades (1975 = 100)

Grades	1975	1980	1984
GL. 17	100	39	22
GL. 08	100	41	24
GL. 01	100	79	42

Sources: A. R. Khan (1986), p. 11;  
*Wages and Employment In Nigeria*, World Bank Working Papers, Washington, D.C.

It is noteworthy that even though there are no precise measures of the productivity of Nigerian public sector institutions, some institutions have managed to perform well. Two such cases are the Nigerian Ports Authority and the Expedited Mail Services (EMS) of NIPOST. Even the Nigerian Railway Services seem to be showing signs of a new lease of life.

All of the above-mentioned impacts resulted from the implementation of Nigerian SAP, which was initially expected to last two years but has now been on for some five years. However, specific efforts to restructure and reorganize the public service began in 1988.

### 3.2 Overview of Administrative Response

In this study, we review the administrative responses and the deliberate efforts at administrative reform made to cope with the recognized demands from the wider socio-economic environment. Perhaps one of the most original definitions of administrative reform is the one which states that administrative reform is "the artificial inducement of administrative transformation against resistance" (Caiden 1969). Three aspects of this definition are particularly compelling. First, administrative reform is distinguished from the natural, but slower, changes which take place in all human organizations. Administrative reform is both artificial and induced, i.e., it is a planned and predetermined program of change. Secondly, administrative reform refers to a transformation of the whole administrative system or major segments of it. One author has contended that to qualify as administrative reform, a case of directed administrative change must contain high-to-medium comprehensiveness and innovativeness (Dror 1970). Finally, administrative reform, to the extent that it engenders resistance and conflict, is basically political.

Generally, the administrative reforms of the 1980s and 1990s are radically different from those of the 1950s to 1970s. Whereas the reforms of the 1950s to 1970s were premised on how national public administration systems can be revitalized to play the dominant roles expected of them in the development process, those of the 1980s and 1990s are concerned with how the size and scope of the public sector can be reduced such that the public service as an institution becomes only one of the several institutional actors in the development process. This is not necessarily peculiar to Nigeria; it is a global trend (Agyriades 1986).

What makes the Nigerian experience a bit peculiar is the fact that the reform experiences of the 1980s and 1990s were a response to the twin pressures of economic and political change - the need to restructure the economy and make it self-sustaining and self-reliant, and the need to return the country to civil rule from military rule and institute a viable political order. The administrative reforms introduced during this period were the product of both pressures.

This paper will deal mainly with the reform of the Nigerian civil service in 1988, although it will also touch on the reforms of the local government system and the parastatals sector briefly. The paper develops the argument that the economic crisis which engulfed Nigeria in the 1980s made elaborate reforms of the administrative system inevitable. However, we shall first review past administrative reform experiences and discuss the context of the administrative reforms of the 1980s and 1990s.

### **3.2.1 Review of Previous Administrative Reforms**

Since the incorporation of Nigeria as a country in 1900, several administrative reforms have been undertaken. Most of these were either to respond to the several political changes between the period of amalgamation in 1914 to the attainment of political independence in 1960. One result of this type of reforms was to ensure that Nigeria by independence inherited a legacy of public service which was in structure, operation and ethos patterned after the British (Whitehall) system. In the alternative, a few reforms were consequent on commissions set up to review wages and salaries of civil servants. Some of the most important ones among the former dealt with the regionalization of the Nigerian civil services and the indigenization of public service posts. Up to the end of the 1970s, the most popular and all-embracing reform of the Nigerian public service was the one which emanated from the Report of the Public Service Review Commission in 1974. This reform has been so extensively analyzed and discussed in the literature that we shall only mention some of its major points here.

#### *The Public Service Reform of 1975*

Administrative reforms in Nigeria, true to the British tradition, are usually preceded by Commissions and Task forces. Unlike all other commissions before or after it, the Public Service Review Commission, which was established by Nigeria's military rulers, had very elaborate and comprehensive terms of references.

The major recommendations (and those accepted) of the Commission's reports were:

- (a) The introduction of modern strategies and techniques of managing large and complex organizations and the promotion of horizontal (private-public sector) mobility and comparability. The techniques include Management by Objectives (MBO), Project Management (PM) and Program and Performance Budgeting (PPBS). Pensionable age was reduced and made more attractive. Officials who have put in 45 years or more in the public service could now retire voluntarily with full pension benefits. The rationale for all this was that they will bring about a more result-oriented public service.
- (b) The use of monetary incentives to motivate public officials. The Commission believed that not only would private sector procedures and techniques be applicable in the public sector, but so would the motivation strategies. Hence, the Commission provided for higher remunerations comparable with the nation's private sector. There was therefore an all round increase in remunerations, pegging the minimum public service wage at N1200 per annum (N100 per month). Although the Commission recommended payment of arrears in two installments, the government released these arrears at once in order to handle its political problems, leading to high inflationary trends.
- (c) The adoption of a Unified Grading and Salary Structure (UGSS) throughout the public service. Canadian experts assisted the Commission in making job samples within the public service and ranking these into 17 grades (on a maximum of 7 incremental rates) applicable throughout the public service. The apparent advantage of this was that it replaced the wide array of

confusing salary gradings and scales (about 117 of salary grades and 600 cadres) within the public service. In this regard, the Commission's Report was circumvented at many points by top civil servants who assisted the government in producing the White (policy) Paper on the Commission's recommendations. For instance, Federal Permanent Secretaries made their much-coveted position (of federal permanent secretaries) the top of the ladder and unified all jobs within the public service under this one grade and salary system even though the Commission had itself noted that it could not perform a fair and representative sampling of the parastatals and universities. This partly explains why these two institutions of government, at least at the federal level, pulled out of the UGSS early during the Second Republic.

- (d) Integration of the Nigerian Public Service. The Commission attempted through this grading structure to integrate the public services both laterally and horizontally. In each case, it had only qualified success. Laterally, an attempt was made to ensure that every official had an opportunity of rising to the top of the public service career expectation. In particular, it was now possible for executive officers to convert after taking the necessary examinations into the administrative cadre. This was not possible before. Also, at the more senior levels, both professionals and generalists officers could now join the senior management group where potential permanent secretaries are trained and subsequently deployed.

An attempt was made to integrate the public service as a whole at the federal, state and local government levels and between these levels. Federal officials at the topmost levels were placed on Grade Level (G.L.) 17, a step ahead of their counterparts in the state governments, while the most senior management position in local government was fixed at level G.L. 13. While this worked well under the military, some state governments have placed their most senior officials from G.L. 14 and above on the same salary level with their federal counterparts.

It is important to underscore the fact that the major preoccupation of the Udoji reforms (after the name of its chairman) was how to ensure that the public service performed its role both as a leader and star-player within the nation's development process.

Several appraisals of the public service reform of 1975 have been undertaken (Adamolekun & Gboyega 1975, Olowu & Oshionebo 1985). In the main, the reform had three distinguishing features. First was its success in rationalizing the diversity of grading structures and pay scales within the Nigerian public service. Secondly, it focused attention on the possibility of raising the effectiveness and efficiency of the public service through the application of management techniques such as MBO, PPBS, job evaluation and the open reporting system of performance appraisal. It considered this as essential if the public service was to sustain its credibility as the lead-agent of economic and social development. Thirdly, the reform articulated the need for public servants to subscribe to a code of ethics that it proposed. This code, in a slightly amended and more elaborate form, is now incorporated in the Nigerian constitution.

On the other hand, the reform has been criticized for providing the framework for a rigid unification of the diverse sectors of the public service. The universities opted out in 1981 and some parastatals followed suit in 1982. At least two state governments

during the Second Republic refused to operate the 16-point grade level imposed on the states. Several of them also questioned the authority of the Federal Government to fix for their personnel pay scales and staff conditions which they may not be capable of meeting.

More importantly, the salary awards which accompanied the reform were poorly handled. In the first instance, the award attempted to fix a minimum wage within the public sector. This merely widened the gulf between average incomes in the urban and rural areas. In addition, it reduced the incentives for performance at the highest levels. The expectation that the reforms would promote the lateral movement from the private sector to the public sector proved unreal. Rather, the movement was in the opposite direction. This is besides the inflationary pressures which the cash awards inflicted on the economy, as already noted above. In fact, it is the opinion of several observers that the thrust of the reform was ignored by the large salary awards, which seem to have been the major legacy of the reform.

The introduction of management techniques which were successful in private sector corporations of the advanced countries, from where these techniques were being transplanted into Nigeria, proved difficult to sustain after the initial interest in this innovation. Several reasons have been offered: political instability, lack of sustained interest, and the problem of cultural adjustment.

The Udoji reform was also blamed for its preoccupation with 'management', with only scarce attention to equally important issues such as political leadership and accountability. Perhaps this was due to the fact that the Commission borrowed heavily from the report of the Futon Committee in Britain. Finally, over time, its assumptions in respect of the role of the public sector in the development process could not be sustained in austere times. In the 1980s, attention shifted to how much of the activities which were being undertaken by that sector could be transferred to private individuals and organizations.

### ***3.2.2 Administrative Reforms of the 1980s and 1990s***

Three major reforms of different aspects of the Nigerian public service will be dealt with here, even though the major emphasis will be on the civil service reform of 1988. The three reforms are:

- a) the Civil Service Reform of 1988;
- b) the Rationalization of Nigerian Parastatals; and
- c) the Institutionalization of Local Government Autonomy.

Since there is a full discussion of the changes in the parastatal sector in the next section, our comments will relate only to (a) and (c) here.

#### *The Civil Service Reform of 1988*

On 1 January 1988, Nigeria's Military President announced a reform plan for the civil service. The reform was expected to be effected with immediate effect. Before this time, the President had complained in his several budget speeches (which had become his major opportunity to set the policy path for his administration), about bottlenecks which administrative inefficiencies posed to his administration. This time, he even

went on to lay the blame for non-achievement of the previous year's (1987) budget targets on the civil bureaucracy.

As events later proved, many of the reform proposals announced by the president emerged from the recommendations of a Study Group which was appointed to review the federal civil service structure in 1984 headed by Professor Dotun Phillips. That Study Group submitted its report to government in August 1985 and the President's announcement represented his government's reaction to the Study Group's recommendations. As was to be expected, there were other aspects which were not suggested by the Study Group (Nigeria 1985, West Africa 1985).

The major elements of the reforms can be summarized as follows:

- i. Ministers (and no longer Permanent Secretaries) were now to be the Chief Executives and Accounting Officers of their respective Ministries. Permanent Secretaries used to be accounting Officers in various Ministries up until then.
- ii. Permanent Secretaries (now renamed Directors-General) were now to be, like ministers, political appointees whose tenure would coincide with that of the administration which appoints them.  
This had been the constitutional position since 1979 but was never properly articulated or widely accepted.
- iii. The civil service was to be professionalized. In this regard, reliance on generalists administrators in the civil service was to cease. Civil servants were now to be deployed and utilized in accordance with their profession or specialization, and consequently were to be given functional or specialist titles. Also, the emphasis was now on team work, with each officer making contributions based on his specialization and expertise. Moreover, civil servants were to spend their entire career in their respective ministries, thereby acquiring life-long expertise in the business of that ministry. The practice of pooling officers and deploying them centrally was, therefore, now to cease.
- iv. As part of the professionalization package, each ministry was to employ, promote and discipline its staff. The Civil Service Commission, which used to perform these functions centrally for the whole civil service, was to provide uniform guidelines under which each ministry would itself undertake its personnel management functions itself. The Commission was to monitor and ensure compliance with these uniform guidelines. It was also to treat any appeals against the decisions of ministries in the area of personnel management.
- v. Certain critical economic policy institutions were brought directly under the President. The institutions include the Central Bank of Nigeria and the government Departments dealing with the budget and national planning.

Exactly a month after this announcement, an implementation task force on the Civil Service Reforms was established under the leadership of a top military person (Vice-Admiral Patrick Koshoni). The eight members of the task force included the heads of all the key institutions of the Federal Government that were most immediately affected by the reforms: the head of the federal civil service, the secretary to government, the head of the federal civil service commission; a special assistant to the President; a former secretary to government and Professor Dotun Phillips. This task force produced the **Implementation Guidelines on the Civil Service Reforms**.

The **Guidelines** provided further details, a few additional reforms (such as the abolition of the Office of the Head of the Civil Service, extension of the reforms to the state and local government services). The reform was expected to become effective at the state and local level on 1 April 1988.

### *Appraisal of the 1988 Reforms*

On November 25, 1988, the reform was given legislative backing by the promulgation of Decree 43 of 1988. According to the Decree, the objectives of the reform were to ensure:

- a) the attainment of government objectives;
- b) the promotion of a better execution of the laws and programs of the government;
- c) an efficient and expeditious administration of government business;
- d) the reduction of expenditure and improvement of economy to the fullest extent consistent with efficiency in the operation of government; and
- e) increased efficiency in the implementation of government policies and programs to the fullest extent practicable through the encouragement of specialization and through other measures (Nigeria, 1988).

In order to give effect to the changes envisaged under the reform, six new institutional arrangements were proposed under the reform guidelines, which became a part of Decree 43 of 1988. Each of these will be discussed briefly.

### *New Institutional Arrangements Under the Reform*

#### **a) *Power and Responsibilities of Minister and Director-General***

Before the reform, ministers were Chief Executives but their Permanent Secretaries (the most senior administrative personnel) were the accounting officers in respect of monetary transactions in the ministry. They were also responsible for the management of personnel within the ministry. The post of Permanent Secretary was abolished.

According to the reform decree, the minister was now both the Chief Executive and Accounting Officer of the Ministry over which he has responsibility and shall be responsible for overall direction, supervision and execution of the policies, activities and programs of the Ministry and, accordingly, he shall have the power to make regulations for the administration of his Ministry including the recruitment, dismissal and other disciplinary control of its employees, the conduct of its employees, the distribution and performance of its business, and the custody, use and preservation of its records, papers and property.

The Director-General, who could be appointed from within or outside the Civil Service, was to function as the deputy to the minister. This position was now regarded as a political one, as its holder had to retire with the government that appointed him unless an incoming administration reappointed him. In fact, even if a Director-General was appointed from within the civil service, he ceased to be a civil servant, the moment he accepted the appointment. The salary and other entitlements of a Director-General would be determined by the president (at the federal level) or the governor (at the state level).

## *b) The Autonomy and Internal Structure of Each Ministry*

Each Ministry was to be independent in the appointment, discipline and promotion of its staff, albeit under the general and uniform guidelines provided by the Federal Civil Service Commission. As a result the old Office of the Head of the Civil Service, which was responsible for deploying pooled officers, especially the generalists administrative cadre, was abolished.

Whereas ministries or extra-ministerial departments had various nomenclatures in terms of their internal structure, the reform rationalized this. Now, each ministry or extra-ministerial department was to have not more than five 'operations' departments and three 'staff' or common services departments. These departments were those in respect of Personnel Management; Finance and Supplies; and Planning, Research and Statistics. An upper limit of eight departments was thus placed on each ministry.

Each department was to be headed by a Director who, like the Director-General, was to be appointed by the President or Governor from among career civil servants. The position of Director (Grade Level 17 at the federal level) thus became the highest career position in the civil service. The most senior Director in a Ministry would act in the absence of a Director-General.

Each department was divided into divisions, which were further subdivided into branches, which were in turn subdivided into sections, each level being headed by Directors, Deputy Directors, Assistant Directors and Chief Professional Officers, respectively, at the federal level.

## *c) Professionalization by Ministry and Designation*

One of the most intractable problems in the Nigerian civil service was the relationship between generalists and professionals. The former had almost unlimited advantages over the latter group with respect to promotion, and in particular in respect of appointments to the exalted position of Permanent Secretary in the civil service. Yet professionals were in great demand both in the public and private sectors, a factor that made it difficult to recruit and or retain the best professionals in the public service.

Several measures have been proposed to deal with this problem in the past. The Udoji reform spoke about a Senior Management Group into which both professionals and generalists administrators could be recruited. In some states, professional officers had successfully exerted pressure that certain ministries/departments should be designated as 'professional ministries' in which case they would have professionals as their coordinators or permanent secretaries.<sup>2</sup>

What the reform did was provide that each civil servant now become a professional, first by his designation (each title must carry the professional content of the office holder), and secondly by insisting that each officer would complete his entire career in the ministry of his initial choice. There would be no more inter-ministerial deployment. The career progression of each officer in his ministry would be based on his entry qualification, post-employment training and performance on the job.

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<sup>2</sup> Titles of key officers differ at the federal and state levels. Political heads of ministries are ministers at the federal level but commissioners at the state level. Positions at state level are one step below their equivalents at the federal level

To this end the civil service was divided into four broad groups. At the federal level, this comprised:

- the Directorate Grade – GL 15–17
- the Officer Grade – GL 08–14
- the Assistant Grade – GL 04 – 07
- the Operative Grade – GL 01 – 03

**d) *Personnel Management in the Civil Service***

Each ministry, as earlier noted above, was to undertake all activities connected with the management of its own personnel (appointment, deployment, training, promotion, discipline, etc). There were two qualifications, however. First, the Civil Service Commission was charged with providing guidelines to all ministries, monitoring the activities of every ministry with respect to personnel management, recruiting officers on Grade level 07–10 (i.e., the entry grade for graduates from tertiary institutions) to ensure that they complied with the quota requirements or the country's federal character, serve as an appellate body, maintain staff records, handle pension matters, staff welfare and training; manage the civil service generally and, in particular, monitor the implementation of the reform.

A second requirement was that the personnel management functions of a ministry would be discharged through a Personnel Management Board (P.M.B.) and three Personnel Management Committees, P.M.Cs (one for junior staff GL 01–06 in the out stations, another for junior staff at the headquarters, and one for the senior staff). The Junior Staff PMC (JPMCs) comprises not less than five senior staff. The chairman of the outstation JPMC would not be less than GL 08, while at the headquarters the chairman would be the Director of Personnel Management Department. The Senior Staff PMC has nine members, none of whom would be below GL14 and one Civil Service Commissioner under the chairmanship of the Director-General of the Ministry. The P.M.B. comprises all Directors, the Director-General, and one Civil Service Commissioner under the chairmanship of the Minister/Commissioner. The Board would supervise the works of the P.M.Cs and take care of cases of officers on GL 14–17 at the federal level or GL 14–16 at the state level. These institutions were charged with conducting promotion exercises twice a year.

**e) *Institutional Arrangements for Financial Accountability***

With ministers given such vast powers over their departments, one main worry has been the checks to prevent excesses, especially of a financial nature. There are six major institutional arrangements:

- i) *The Accountant-General*, based in the Treasury Department of the Ministry of Finance, would be responsible for cash supply, final accounts, inspectorate, revenue accounting, training on financial management and the sub-treasury for all ministries and departments. He was to ensure that ministries/departments complied with the accounting code and procedure. He would be assisted by Internal Auditors in each ministry/department.

- ii) *Directors of Finance and Supplies* are responsible for (a) ensuring that all instructions relating to public expenditure are in writing; (b) assisting accounting officers to understand that they are responsible for accounting to the Public Accounts Committee for all monies voted for each Ministry/Department; and (c) providing relevant training for all Accounting Officers.
- iii) *Internal Auditors* in each Ministry/Department are required to provide a detailed audit program and thereafter furnish both the Accounting Officer and the Auditor-General with monthly reports. He should draw the attention of both the Accounting Officer (the Minister or Commissioner) and of the Director of Finance and Supplies to any irregularity. Internal auditors were also to carry out stores verification where this did not exist.
- iv) *Audit Alarm Committee*: This Committee comprises at the federal level the Auditor-General, the Accountant-General and a representative of the President. It was to examine all cases of pre-payment audit queries raised by the Internal Auditor but overruled by the Chief Executive.
- v) *Auditor-General*: This office was to be strengthened under the reform to carry out both pre-and post-payment audits. The occupier of this office has direct access to the President/Governor. He also has power to sanction or surcharge any officer as stipulated in the guidelines governing offence and sanctions, developed as part of the reform guidelines.
- vi) *Public Accounts Committee*: This body has functioned more as an ad hoc body, due largely to the fact that it was expected to function as part of the legislative branch. Since the country has experienced more military rule than civilian rule, its role has been muted. This Committee was subsequently established as a permanent body with appellate jurisdiction over the Auditor-General's power to impose sanctions and surcharges on erring officers.

#### **f) Direct Presidential Control over Economic Policy Institutions**

Two important economic policy institutions, the Central Bank and the Budget Office, were brought directly under the President. This, according to the protagonists of the reform, was to enhance the coordination of economic policy at a particularly difficult time for the country.

The reform applied initially to the federal and state civil services. However, in July 1988, the local governments were also included in the reform with some modifications. One such modification was that the Chairman of a Local Government would be the Chief Executive and Accounting Officer of a Local Government Council but he could not be a signatory to vouchers and cheques of the local government. That responsibility would be handled by permanent officials — Secretaries and Treasurers of the local governments. Another modification was that local governments should have a maximum of six departments, four of which would be line or operational departments, the other two being staff or common services departments.

Another major innovation which coincided with the reform (actually introduced late 1987) was the development of policy in respect of training officials at the federal level. This *Guidelines for Training in the Federal Civil Service* made among others, the following provisions:

- the establishment of a training division in each Department of Personnel Management with a Deputy Director designated as a Departmental Training Officer. He was also to serve as the Secretary to the Ministerial Training Committee, the body in each ministry which is responsible for approving annual training programs;
- the directive that each Ministry/Extra-Ministerial Department should devote at least 20% of its personnel emolument costs to training and staff development between 1990 and 1994 after which 10% would suffice;
- the need for each Ministry/Department to develop in-house facilities for training its own staff as well as identify training centres.
- spelling out of areas in which Ministries/Departments would have exclusive training responsibilities: local induction courses, junior staff training, specialized professional courses, management courses, etc.

Another major initiative which also coincided with the reform was the announcement in 1988 of some upward review of salaries and fringe benefits of officers of the federal government under the title of a new salary structure, the 'Elongated Salary Structure' (ESS), as earlier noted. The new structure attempted to provide more opportunities for progression on each salary level. In addition, as a response to strong pressures from civil service trade unions that, due to the intense inflationary pressures consequent on SAP, the minimum wage should be raised by 600% (from N125.00 to N1,500.00), the federal government raised the minimum wage to N250.00 in January 1991, but insisted that this should not apply across-the-board but only to junior officers in the federal civil service.

### *Appraisal of the Reform*

The 1988 civil service reform, as was to be expected, opened the flood gates of controversy. Its protagonists maintain that the reform was not only necessary; it was also timely. Three major rationalizations are given in support of a reform of this magnitude. First, the reform is seen as attempting to respond to some major problems in the Nigerian civil service system - the duality of control at the top, the gross inefficiency of the civil service, the delays occasioned by bureaucracy, and the allegations of corrupt practices within the civil service.

Secondly, it has been reasoned that the logic of SAP made a reform of the civil service necessary, since the civil service would bear responsibility for policy changes and implementation of the policies connected with SAP. Even though the Nigerian SAP did not articulate the case for a reform of the civil service system and though it did not have the reform of the civil service as one of its programs, such a rationalization makes sense.

Thirdly, and perhaps the most appealing rationale, is that the reform was meant to ensure that the Nigerian civil service system complied with the Presidential-System adopted in 1979 and moved away from the Whitehall legacy inherited from colonial times. The reform has also attempted to articulate issues, remove ambiguities in responsibility assignments and made a number of institutional innovations, as highlighted above.

On the other hand, critics of the reform have made the following points. First, many observers were taken aback by the suddenness of the reform announcement and the

consequent time expectations for implementing the reform. A reform of this magnitude required several of the actions for its implementation to have been taken **before not after** the announcement of the reform (Olowu 1989).

Second, the central presumptions of this reform are disturbing to some observers. The presumption that the civil service is accountable for non-implementation of government policies flies in the face of Nigeria's historical reality. Political leaders (both military and civilian) have been as culpable as permanent officials (Adamolekun 1986).

The consequent presumption arising from the first assumption is equally disturbing. This is the thinking that concentrating responsibility within the political leadership will raise performance levels in the civil service. As it is, the ministers will now have direct access to advice from their political appointees, the director-general who is now made more dependent on him and the directors in each of the departments within the ministry. They (the Ministers or Commissioners) may be able to tackle more effectively the political and management problems confronting their ministries. However, this implies further centralization of activities at the ministerial (Commissioners) and presidential levels. Such centralization poses management problems of its own, more so in a country where the preponderant proportion of people to be served are in scattered rural communities.

Third, the definition and conception of professionalism is also disturbing. The reform proposes that the civil service be professionalized by keeping officials in one ministry throughout their careers without any opportunity for movement across ministries. This is an obvious reaction to past pooling of certain categories of officials who were then transferred across ministries/departments as generalists officers (i.e., generalists administrators and members of the executive cadre in particular). The question, however, is to what extent localization can promote professionalization without an elaborate program of training and retraining of this category of officials. Even though there is a training policy, this is yet to be fully accepted (as shown below) and this was the major implementation problem which confronted the Udoji reform. That reform laid ample emphasis on systematic training and retraining just as the present reform does, yet training was poorly funded and inadequately handled at all levels. At both state and federal levels only a small percentage of officials have been exposed to any form of training since 1975 (Udoji 1977, Greeb 1977, Adamolekun 1985).

Fourthly, several people are worried about the implications of the new arrangement for accountability in the Nigerian public service. Nigerians, though enamored of a presidential model of concentrated executive action, are also concerned with the high levels of corruption, wastage, mismanagement and misappropriation of government resources which go with such seemingly limitless privileges. A number of institutions have been established to deal with this latter problem, but the general assessment is that these institutions are weak and ineffective. As a result, the problem of accountability confronting the Nigerian public service is a real one. Political leaders have often colluded with permanent officials and businessmen to cart away government money through over-inflation of contracts, diversion of funds to political parties or to personal interest, etc. While some are currently in jail, a number of the political executives during the Second Republic are still being chased by the Nigerian government to answer to charges of corrupt enrichment. Several of these are now living in exile in the industrialized countries. Given this situation (in which the quality of political

leadership could not always be fully ascertained), the division of responsibilities between the political executive and the permanent official was not an aspect of the Westminster model but a deliberate carry-over from the colonial period as a means of ensuring accountability. Permanent officials have borne greater responsibility for corrupt practices except when they can prove to have acted in public interest. Their permanency and their pensions/gratuity ensure that they are always available after the demise of an administration to answer to such queries. By removing the Director-General from the permanent civil service structure and giving to the political head both the Executive and Accounting powers, the previous arrangement which seems to have worked reasonably well is being destroyed.

The reform creates an Audit Alarm Committee with the Auditor-General as Chairman, the Accountant-General of the federation and a representative of the President as members. However, the Internal Auditor, who is expected to raise this query, is responsible to the Accounting Officer of the ministry who in this case is also the minister. It is possible that the position of the Auditor-General might be strengthened during the Third Republic if the Auditor-General is responsible to an active legislature. Before the reform, the Auditor-General's queries were treated with impunity by executive departments at the federal and state levels. It is yet to be seen whether this provision will change matters.

A final problem of the reform is the absence of a viable machinery for implementing the reform. The task force is expected to monitor implementation up to the first three months. It is then expected to recommend an appropriate implementation machinery. With the dismantling of the Office of the Head of the Civil Service at the federal and state levels, the Federal Civil Service Commission (FCS) was the preferred unit. However, the FCS is also expected to have appellate responsibilities for all adverse decisions that are protested within the civil service. There may still be the need for the creation of a ministry or special unit to monitor the reform at the highest level.

### *Problems of Implementation*

The actual problems associated with the implementation of the reform at the federal, state and local government levels can be summarized as follows:

#### **a) *Too Many Changes and Counter-Changes Too Soon***

Since the reform was announced there have been many changes in various aspects of the reform. The intention is to ensure fine-tuning of the reform but it has made officials extremely cautious of implementing the reform at a rapid pace. A few examples will suffice. The original announcement did not include state civil services; both state and local governments were included later. Originally, ministers were the Accounting Officers responsible for signing cheques, but this responsibility was later given to Directors-General and the Director of Finance and Supply. Similarly, the Department of Management and Training and the Department of Establishments, two crucial departments associated with the reform, were originally in the Civil Service Commission. Recently, Decree 28 of 1990 transferred these two departments to the office of the Secretary to the Governor in the Presidency or Governors' Offices. The changes at the local government level deserve separate treatment.

## **b) Slow Implementation of the Reform**

Largely because of the point made above and others, the reform is progressing very slowly in the states. In some states, even the relevant departments and units have not been created. All that has changed are the nomenclatures of the key officials. Even as late as early 1991 some Directors General refused to resign their appointments as civil servants in one of the states (Niger).

There are two additional explanations for the slow pace of the reform. It was found that the reform is costly in terms of requisite and skilled personnel. One study of the Rivers State Civil Service found that some ministries by early 1991 had no Directors at all (they were expected to have a minimum of six). Another ministry had only two Deputy Directors, seven Assistant Directors and 18 Chief Officers instead of 13, 21 and 25, respectively. Even at the federal level, a study of the Ministry of Health in early 1991 showed several vacancies as "many of the staff required to give meaning to the implementation of the reforms were not there and in some cases have left for greener pastures". A state (Ogun) responded to this situation by creating only those departments for which it could find staff rather than implementing the reforms as directed in the Guidelines.

Secondly, and partially arising from this first reason the financial implications of the reform were found to be quite enormous, in terms of new staff requirements, salary levels, training funds and fringe benefits. For instance, Directors are now placed on Grade Level 17 in the federal civil service. This was the salary of the former permanent secretaries. There are now eight Directors being paid the salary of the one permanent secretary in each ministry. Besides, Director-Generals' salaries are only a little less than those of ministers. As a result of these considerations, the Reform Implementation Committee in one state recommended that the implementation of the new ministerial structure of departments, divisions branches and sections be phased over a ten-year period. Similarly, at the federal level only 3% (N49.1 million) of the total personnel emolument was actually allocated to training in 1989 rather than the 20% (N336 million) promised in the federal government's new training proposals. The proportion is lower in the states.

Consequently, several of the provisions of the reform at the state level, e.g., the creation of Training Divisions, the Office of the Director of Audit, Audit Alarm Committees, the strengthening of the accounting/audit departments, etc, are yet to be implemented.

## **c) Weak Incentives system**

Given the large devaluation which the Nigerian currency has faced since SAP and the consequent inflationary pressures, the structure of incentives in the public service has become unattractive to skilled personnel. Whereas private sector organizations have increased pay levels to their professionals and management executives, public servants have suffered serious wage erosion as well as wage compression. This underlies the current flight of the best and top minds from the public to the private sector and indeed of the 'brain drain' to other countries, which became the theme of a Presidential Study Team in 1989. Salary levels in Nigeria's public services are considered very low even by African standards (Linduer *et. al* 1988, Robinson 1990).

#### **d) *Weak Financial Accountability***

The system of financial accountability needs to be strengthened. Several ministries and departments do not have published accounts for as long as ten to twelve years. This recently led the President to demand that each Federal Ministry, Department and Parastatal bring up its account up to date by December 1991.<sup>9</sup> This indicates that the system of financial accounting put in place under the reform is not functioning. Perhaps it cannot under the present dispensation, with the Chief Executive also the Accounting Officer and without a legislative branch with a clear political mandate to exercise the function of legislative oversight over ministries/departments. Clearly, there is a need to strengthen the Internal Audit Units and to make them responsible to the Auditor-General, who should also be responsible under civil rule to the legislative branch rather than the executive.

#### **e) *Fears Associated with Politicization of the Top Levels of the Civil Service***

With the complete politicization of the civil service and the approach of civil rule, there are two types of fears. The first is that political office-holders may give greater prominence to the political qualification of Ministers/ Commissioners, Director-Generals and Directors rather than to their expertise as it is at present, when there is no partisan politics. Secondly, it is also feared that the economy might not be able to absorb the large turn-over of senior staff from Nigeria's federal and 21 state civil services.

On the whole, the reform is a wide-ranging one. It is too early to state whether it has succeeded or failed but it has been received with a lot of criticism and cynicism by several observers and the people in general. This no doubt is due to its sudden announcement and the absence of adequate preparation for its implementation. It is, however, likely to endure if it outlasts the present military era to the Third Republic. Civil politicians (especially of the executive category) are likely to be attracted by the wide powers which the reform confers on them and will probably not rescind the major proposals in the reform package. If the reform survives for another five years, both its merits as well as its demerits would become more evident, in which case they would merit a proper review.

#### ***The Reform of Parastatals: Rationalization Through Mergers, Commercialization and Privatization***

Since a whole section is devoted to developments in the parastatals sector, a full discussion of parastatals is deferred to the appropriate section.

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A report on the Ogun State situation by early 1991 goes as follows: "the latest Annual Report of the Auditor-General of Ogun State was in respect of 1979/80 financial year. Although a task force was jointly set up by the Director-General and Accountant General so as to quicken the accounting and auditing procedures, its activities were frustrated by non-remittance of returns from Ministries and Departments on Schedule" (Obayomi 1991, pp. 127-128).

## *Institutionalization of Local Government Autonomy*

In 1976, the federal military government embarked on a nation-wide reform of the local government system. In the Guidelines issued on the subject to state governments for the first time by the federal government, the objectives, powers, structure, size, responsibilities and resources of local governments were set out. Two important hallmarks of this reform initiative are that first, local governments were to be self-governing and democratically constituted (i.e., seats were to be filled by popular elections); secondly, local governments were to have access, like the two other levels of government, to nationally collected revenues which they would use together with their own internally-generated resources to prosecute development projects at the local level. These two principles, democratically elected councils and financial autonomy of local governments, have been among the most serious contentious points. State governments, especially during the Second Republic, maintained that LGs were state-creatures and could be regarded as independent.

The current administration has nevertheless taken a number of actions to consolidate the autonomy of local governments. Some of these are already incorporated into the 1989 Constitution while some are yet to be incorporated and others are to remain executive/administrative innovations. These new initiatives, among others, include the creation of more units of local government, increasing the number of local governments to 449 from 301 (this was to ensure an even closer proximity of local governments to the people); the system of recall for erring councilors; allocation of the preparation of economic development plan as a major responsibility of local government; the creation of a Director of Local Government Audit who will render accounts directly to the National Assembly; etc (Olowu 1990).

A number of responsibilities have also been passed on to local governments - primary health care, primary education, the maintenance of rural roads, especially those constructed by the newly created Federal Directorate of Food, Roads and Rural Infrastructure.

The proportion of the federation account allocated to the local governments has also been raised from 10% to 15%. This is in view of the increased responsibilities of local governments, though it is doubtful whether more will not have to be done to ensure that local governments have access to more funds either from external or own sources.

The civil service reform of 1988 effected a number of administrative changes at the local government level, as pointed out above. Furthermore, the chairman of a local government has recently (1991) been given the powers to appoint not only his own cabinet of supervisors (who are not necessarily elected councillors) but also their own secretaries. The Local Government Service Commission is to continue discharging personnel responsibilities to all others on Grade levels 07 and above. GL 01-06 are to be administered by each local government.

With all these changes, there is expectation that local governments will be able to avoid being over powered by state political executives during the Third Republic and that they will be able to formulate and implement programs of economic and social development within their various jurisdictions.

### *Conclusion: Lessons of the Nigerian Administrative Reform Experience*

We may now stand back to identify the major lessons from the Nigerian experience.

First, rapid economic and political changes make periodic overhaul of the public administration system (PAS) inevitable. In addition, the nature, content and direction of administrative reform are determined by the nature, content and direction of changes taking place in those sectors that constitute the ecology or environment of the PAS.

Second, political support, especially of the top leadership, senior administrators and the citizens generally, is very crucial to determining whether particular administrative reform programmes will fail or succeed. It may not be possible to secure the support of the three segments of society described above, but one can imagine that no administrative reform programme has any chance of success without the support of at least one of these three segments. Most importantly, just as the implementation of administrative reform must not rely completely on senior administrators (as with the Udoji reform), the formulation of administrative reform proposals must not also be carried out without taking cognisance of their inputs (as seems to have been the case with the 1988 administrative reform). A golden mean must be struck between these extremes.

Thirdly, structural adjustment programmes provide opportunities and constraints for the public service. The Nigerian SAP has made more money available to governments but it has also led to high inflationary spirals, a low purchasing power of the naira, and prohibitive costs of imported goods on which the economy and the (Public Administration System) PAS so heavily depends. For instance, basic PAS improvement inputs such as computer hardware/software, high, medium, low technology, management innovations and skills, etc. are all imported.

Fourthly, the seeming inconsistencies in the implementation of SAP, especially the creation of new institutions, underscore the importance of the public sector in any program of strengthening or revitalizing the private sector in Africa's circumstances. This point is often not fully appreciated by foreign observers and donor agencies in promoting the cause of economic reform. There is therefore a need to simultaneously improve both public and private sector management.

Fifthly, the Nigerian public service is today bedevilled by some powerful phenomena which are likely to remain a serious challenge to development of the PAS for a long time to come. These include low morale, arising from wage erosion/compression; fears associated with the politicization of the top bureaucracy; and the consequent flight of the 'brightest and best' to the organized private sector or foreign countries. Future administrative reform efforts will have to confront these problems.

Sixthly, the concentration of so much power, authority and responsibility at the topmost levels of the administrative bureaucracy has its merits, but it seems misconceived if adequate arrangements for political and financial accountability are not simultaneously developed to deal with possible misuse of power and public trust. In addition, administrative, economic and political reforms in developing countries generally tend to ignore the informal public (this includes the mass of community development organizations) and private sectors (the large number of micro-enterprises), which are increasingly being revealed by research as key actors in economic, political and administrative space. The reform and revitalization of local government is perhaps the only aspect of the administrative reform effort in Nigeria that has a potential of dealing with these important sectors, besides the few specific measures such as the establishment of People's Banks, Community Banks and the official

recognition of community groups by the Federal Directorate for Food, Roads and Rural Infrastructure.

Finally, all of the above underscore the need for a completely different approach to administrative reform, using a model which underscores the multiplicity of actors and institutions in the political and economic space rather than the extant model, which focuses only on the state bureaucracy.

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We should conclude this section by noting firstly, that the economic crisis has not only led the government to define its role vis-a-vis the private sector; it has also led to an articulation of separate policy statements for major shared services and the extent of the involvement of each level government. This is so with the new agricultural, health, population, primary education, industrial and housing policies. In addition, major reorganizations of public sector institutions have been undertaken.

On a second note, we could return to our original question: to what extent have these policy and administrative responses proved adequate or inadequate to assuage the Nigerian economic crisis? The final verdict will take more time to determine but we can enrich our understanding of the Nigerian experience through the case studies which are presented in the next three sections.

# 4

## The Parastatals Sector

The sensitive and expansive role which public enterprises play in the social and economic life of a developing country like Nigeria explains to a large extent why this sector is one of the hardest hit by the economic crisis. The public enterprise sector is by far more important than any other, and even in the more so Nigerian economy because of the predominantly liberal/capitalist orientation of Nigerian economic policy over the three decades of independence. It is necessary at this juncture to point out that the limits of the public enterprise sector is very difficult to draw because of the huge diversity of forms and extent of governmental intervention, control and the varied nature of the organizations occupying the sector.

To start with, it is noteworthy that although the term 'parastatal' may in the context refer to a specific type of public enterprise, 'parastatals' in Nigerian parlance is widely understood as synonymous with 'public enterprises'. Therefore, in this monograph, the two expressions will be used interchangeably to refer to the organizations set up by government, outside the civil service apparatus to operate very much like private enterprises. The sector includes bodies such as public corporations, commissions, boards, councils, state-owned companies, joint-ventures involving private shareholders, etc.

### 4.1 Evolution of The Scope and Management of Public Enterprises in Nigeria

The number of public enterprises in Nigeria has grown steadily over the years. While the first public enterprises were set up in the country as far back as the end of the last century, it can conveniently be said that the heyday of their development and expansion was during the 1970s, concomitantly with the boom in oil revenues accruing to the country. However, the evolution right from the fifties through the sixties indicates that, although factors such as the introduction of the ministerial organization in 1952, the introduction of the Federal system of government in 1954, the creation of new regions/states, (1964/67 and 1976), etc have respectively given an impetus to the proliferation of parastatals, the availability of financial resources has been the most decisive determinant of the dynamism of the sector. In effect, it is this availability of resources that has made it possible to use public enterprises both to respond to changes in political and institutional structures and to give expression to and reflect new policy pre-occupations through them.

Generally speaking, the objectives for establishing these bodies were said to be the provision of basic social and infrastructural services necessary for rapid social and economic development, the correction of market deficiencies, and the need to supplement the lack/weakness of private initiative. The management principles and practices governing their operations were the same as those which inspired the British system of public enterprise, although in practice they often departed from those precepts. These management principles were most prominently enshrined in the important

Sessional Paper No. 7 of 1964, the preparation of which was greatly influenced by the late famous British professor, W.A. Robson. The characteristic features of the management of the enterprises include heavy reliance on government funding by way of subsidies, subventions or other grants, to meet even recurrent costs; and general laxity in the management culminating in personnel malpractices, public fund mismanagement, unorthodox managerial practices (for instance in pricing, revenue and receivable collections, etc).

The logical consequence of this is the generally poor performance of these enterprises. So disappointing and so worrisome was that performance that, at the demise of the First Republic, a large scale investigation was instituted by the Federal Military Government on the management of the key parastatals. We owe to these inquiries on the running of public enterprises in the 1950s and 1960s important documents such as the 1957 Report of the Tribunal that investigated the conduct of the premier and other public officers of the Eastern Region, the Elias Report (1960) and the Coker Report (1962), to mention just a few. These documents and many others not cited still represent testimonies to the wrongs committed by most of those involved in the management of public enterprises during that period. Generally, arising from the findings of these inquiries, suggestions and measures were taken either to re-organize certain public enterprises or to infuse more discipline and rigour in their management by reducing their managerial autonomy, harmonizing and uniformising their operational conditions. The Policy of the Federal Military Government on Statutory Corporations and State-Owned Companies (1968) adopted after the famous Ani Report (1967) is a vivid testimony to this second approach aimed at tackling the issue of deplorable performance.

Despite its dismal performance in the 1960s, the public enterprise sector developed tremendously in the 1970s. Between 1970 and 1980, public enterprises became pertinent instruments on policy as they became the key tools for executing the five-year national development plans. Under the Second National Development Plan 1970-74, the development of public enterprises received a particular impetus as a result of important policies such as the indigenization policy (1972) and the policy of economic interventionism of government under the form of controlling the commanding heights of the economy, accelerating the pace of industrialization and economic development. For example, the federal government assumed predominant interest in metallurgical and petroleum industries, the fertilizer industry, food, manufacturing of building materials, etc. The indigenization policy gave birth to many public enterprises and also justified the acquisition of shares in ventures vacated by foreign capital. This phenomenal growth of public enterprises reached its apex under the Third National Development Plan 1975-80. The architect of this plan, Professor O. Aboyade, reinforced government intervention through more public enterprises, which he perceived as the most dependable means of implementing development planning and also as imposed by the very state of underdevelopment, distributive injustice and economic domination of Nigeria by foreign interests (O. Aboyade, 1975). Although there is no official endorsement of this philosophy, it is clear that this perception of the role of public enterprises greatly permeated the content of the Third National Development Plan (1975-80) and even that of the Fourth National Development Plan (1981-85).

If the economic crisis that set in the early 1980s did not allow the execution of the Fourth National Development Plan, the projects included in The Third National

Development Plan were largely implemented. This led to the unprecedented proliferation of public enterprises. Although no official census of parastatals existed, an estimation of their number suggested an increase from 250 between 1970 and 1972, to more than 1000 by early 1980 (Adamolekun and Laleye, 1982). Moreover, at the close of the 1970s, there were public enterprises virtually in all spheres of the social and economic life of Nigeria, and the share of the public sector in the Nigerian economy, by way of share of expenditure, total investment and contribution to GDP, increased sharply.

The public enterprises management principles were basically the same as during the preceding decades, copied or inspired from British experience. Efforts at infusing more rationality and discipline in the management of these organizations led to the introduction of only minor reforms. Such reform efforts culminated in the recommendations of the Udoji Report in its Chapter 11 in 1974. The recommendations (most of which were accepted by government) relate to the classification of public enterprises, their legal forms and structure, their relationship to government, the composition of boards, as well as to some principles that should guide their financial and personnel management. The Udoji recommendations, like many other reforms that were initiated then, did not improve in any significant way the performance of public enterprises during the 1970s. The contract syndrome accentuated the financial indiscipline and laxity in these enterprises, with the result that public enterprises were recognized as having little to show for the huge resources invested in them. This poor performance reached its all-time highest level during the civilian administration and partisan politics of the Second Republic (1979–83).

It is perhaps most pertinent at this juncture to note that one is actually faced with a puzzling question when one tries to explain the phenomenal growth of the public enterprise sector in spite of its very abysmal performance. The puzzle, no doubt, centers around the crucial issue of the ultimate objectives of public enterprises in the Nigerian polity.

In attempting to analyse the rationale for parastatals, two approaches are generally adopted. The first approach consists in considering the totality of the diverse reasons why all the parastatals were set up. Apart from the fact that the performance of the organizations shows that each of these objectives cannot be said to have ever been achieved, the problem with this approach is that the objectives are not only too many, but also contradictory and inconsistent in many aspects. All these make it difficult to rationalize the growth of the parastatal sector on the ground that it was meant to achieve the specific objective stated.

The second approach is to consider the directing principles of social and economic policy of the Nigerian state in order to ascertain whether the development of public enterprises is in line with these principles. These principles, which find their best expression in the various national development plans and singularly in the 1979 Constitution, can be summarized as follows: economic nationalism, state control of the commanding heights of the economy, egalitarianism, equality and welfare in the use of national wealth, planned and balanced development, to mention the most important ones. The development in the Nigerian polity and the evolution of the public enterprise sector indicate that none of the directive principles of state policy can be said to have made a significant impact on the economy and the society. Thus, the explanation of the evolution of the public enterprises by this approach remains unsatisfactory.

Moreover, the two approaches fail to relate the objectives and the performance of public enterprises with the fact that invariably some managerial principles and

practices (board membership policies, contract syndrome, financial mismanagement, etc) have consistently permeated the operation of these bodies in Nigeria. It is against this background that a third approach in explaining the role of public enterprises in Nigeria has come up with the conclusion that public enterprises have served as an instrument for further integrating the Nigerian economy into the world capitalist system, as an instrument for power building and wealth distribution and accumulation for the elites and as an instrument for legitimacy-building for government (Laleye, 1986).

This is certainly a very useful contribution not only in explaining the inefficiency and ineffectiveness of public enterprises, but also in assessing the impact of the economic crisis on these organizations in the 1980s. Partly because of this total inefficiency and ineffectiveness of parastatals and as a result of the ineffectiveness of some reforms suggested in the Udoji Report, and because workers in public enterprises resented the extension of the Unified Grading and Salary System adopted after the Udoji Report to virtually all public enterprises, the Federal Government was compelled to set up a commission in 1981, whose task was to undertake a comprehensive study of the problem of public enterprises. This commission was to undertake a comprehensive study of the problem of public enterprises under the chairmanship of Mr. G.O. Onosode, a chief executive from the private sector. The report of his commission (generally referred to as Onosode Report) constituted an important landmark in the analysis of public enterprise management in this country.

Two contributions made by the commission are particularly remarkable. On the one hand, the commission attempted a classification of parastatals based on the degree of autonomy and dependence on government funding to cover recurrent costs in order to ensure efficient performance and achievement of their goals and objectives. Although this classification was not accepted by government, it was useful in the sense that it shed some light on how the issue of performance relates to the pattern of relationship between government and its parastatal agencies. On the second hand, for the first time in the history of public enterprises in this country, the commission took the debate about the existence of these organizations further and mooted the idea that:

an increased role by the private sector should be considered especially in those parastatals where security and other sensitive aspects of public policy are not as paramount as the satisfactory delivery of service to the people (Onosode Report, p. 63).

The Shagari administration accepted this recommendation in 1982, but was yet to come out with a specific policy on this before it was overthrown on 31 December 1983. However, since then, this idea of privatization and commercialization has gone a long way in this country. The privatization and commercialization policy constitutes one of the major features of the evolution of the public enterprise sector in the closing years of the 1980s. We shall have cause to discuss the evolution of the idea of privatization and commercialization shortly in some detail. Suffice it to mention here that the privatization and commercialization policy presently in full swing marks the culminating point of an apparent reverse trend in the increase of the number and importance of parastatals in the Nigerian economy.

In other words, one notable feature of the present development is the reduction of emphasis on the role of public enterprises and their firming out, with a greater reliance on the role of the private sector and market forces. The significance of this new

movement, however, resides less in the scope and importance of the privatized and commercialized firms than in the assumption on the basis of which the role of government enterprises is reviewed. Such assumptions, which are quite questionable as well, include the superiority of private enterprise, the transferability of private management principles and practices to public enterprise, the inherently inefficient nature of public enterprise, the existence of activities in which government has no business involving itself, the need to reduce the scope of government to the so-called 'normal size', etc.

Decree No. 25 of 1988, which came out after a long period of debate and hesitation, represents an embodiment of these assumptions. It clearly lists out the enterprises to be privatized fully, those to be partially privatized, and those to be commercialized fully. But beyond this, it has been an important watershed in the dynamics of public enterprise management in this country, even if as a matter of fact, the implementation of these new orientations has been fraught with considerable contradictions and inconsistencies. At the same time, as enough publicity is made about government withdrawal and more emphasis on private initiative and market mechanisms, new policies have been adopted which have compelled government not only to fund heavily and strengthen some existing parastatals but also to establish new parastatals. The logical conclusion to draw from this rather surprising development is that the importance of the parastatals sector may not decline as fast as one may be inclined to believe at first approach. This implies that a study of the effects of the present economic crisis on public enterprises needs to be more exhaustive than just considering the privatization process.

#### **4.2 The Effects of The Crisis on Nigerian Public Enterprises**

Certainly the most manifest implication of the crisis for Nigerian public enterprises is the contraction of their financial resources (see Table 20). But, at the same time, a less apparent implication arising from the consequences of inflation and contractionary governmental budgetary policies on the general public is that the citizens feel greater need (in quantity and quality) for the services provided by these organizations, and they care more about the value of money. These two implications have invariably led parastatals to review their objectives and goals, to map out new strategies for resource mobilisation, to inaugurate new management principles and practices, and to promote new structural and institutional arrangements for ensuring greater efficiency and effectiveness. Furthermore, in the new context, government has gradually been brought into a process of redefining the scope of the public sector and re-orienting the role of government in Nigerian society.

It must be stressed that this study has no pretention to being exhaustive, and some of the points made herein cannot be generalized to the totality of the Nigerian system. What is done here is simply drawing freely from the experience either at the federal government level or at the level of one or more states (Nigeria is a federation of 21 states) to indicate anything that appears to constitute the emerging trend or feature in public enterprise management.

Many reasons account for the need for caution in generalizing. Apart from the diversity of experiences, there are also the time and change factors. In effect, the developments mentioned as responses to the crisis are considered over a period of almost one decade from the present time, although most of these developments

culminated after 1984 and particularly after the adoption of the Structural Adjustment Programme (SAP) in July 1986; and they have since been under constant evolution. In other words, whatever exists now took time to shape up.

#### 4.2.1 *The Major Changes in Management Principles and Practices in Nigerian Public Enterprise Sector*

The emerging principles of the changes in managerial principles and practices of parastatals include: (i) efficiency, (ii) rationalization, (iii) accountability, and (iv) removal of bureaucratism, red tapism or other obstructions and stifling controls in the public enterprise system. Even though they can be subject to controversy and can be difficult to reconcile with one another, these principles underpin the commercialisation policy which has gradually taken shape in Nigeria during the 1980s. The objectives of the commercialisation policy are to reduce the burden imposed by parastatals on the resources of government, to enhance their efficiency, and to promote the withdrawal of government from activities that are best suited for the private sector. It is against this background and in order to achieve these objectives that the following twelve principles and practices have been inaugurated in the Nigerian public enterprise system.

##### a) *The Staff Retrenchment / Sacking Exercise*

Public enterprises, particularly in Nigeria, are known for the fact that, because of dubious personnel management practices, they constitute a source of underemployment.

Table 20. Nigeria: Federal Government Support to Parastatals (Naira Millions)

	1980	1982	1984	1987	1988	1989
Total Revenue	15153	12340	11332	22376	27102	29414
of which:						
Oil Revenue	12354	9251	7797	13253	21094	22521
Federally Retained	12058	7341	6744	10971	15709	17707
Support To Parastats	1473	1281	1228	1038	1652	1716
of which:						
i) Recurrent Expenditure -a/	759	831	576	651	1066	1371
ii) Capital Expenditure -b/	714	450	652	387	586	345
Ratio of (3) to (2) (%)	12.2	17.4	18.2	9.5	10.5	9.7

-a/ Subventions granted parastatals in the recurrent budget through the ministries

-b/ Loans provided through the budget to fund parastatals & government-owned companies.

Sources: *Approved Budgets of the Federal Government*

The idea that they are set up to create jobs for the boys fills them with redundant staff. Although this situation had attracted stern criticisms, nothing concrete was ever done to stop the situation, not to talk of reducing under-employment in them. The stock-taking exercise that followed the fall of the Second Republic served as an eye-opener to that problem and gave the policy-makers the courage of launching a nation-wide retrenchment exercise in 1984. This exercise affected most of the public enterprises and was seen as a way of reducing their personnel costs and making them efficient. It has since become a continuous event. While accurate total figures are lacking for the whole period, the 1988 figures in respect of the Nigerian Railways Corporation, Nigerian Airways and the Nigerian Airports Authority are respectively about 8,000, 2,500 and 2,000.

The retrenchment process gathered momentum with the implementation of the commercialisation policy. For 1989, 950 were sacked at Aladja Steel Company, and 3,393 at the Nigerian Airports Authority (See *Daily Times* 3.10.89 and 29.8.89). The Nigerian Airways and the National Electric Power Authority were expected to carry out their retrenchment before the end of the year. Even the Nigerian Railways Corporation still has the same number of drivers now that there are 33 locomotives in operation, whereas at the time the corporation had 219 locomotives (*Daily Times*, 21.8.89).

However, the retrenchment policy was not implemented with the same vigour in all the parastatals. For instance, some universities with strong and influential staff unions have successfully opposed the retrenchment exercise per se. The workers in Nigerian Railways Corporation avoided the retrenchment of 8,500 by conceding a drastic reduction of their allowances and other fringe benefits (*The Guardian*, 8.8.89 and *Daily Times*, 31.10.89).

In other words, the *rapport de force* within each parastatal appears to be the decisive factor of the importance of retrenchment in that unit.

#### b) *The Removal of Subsidy and Subventions*

Nigerian public enterprises used to sell some of their services and goods below production costs. As a result, public enterprises (especially those in the social and public utilities sector) used to rely on government for funding their activities. The enterprises had become greatly dependent on this type of funding, which does not make for efficient use of resources.

The present administration announced in 1986 the principles of removal of government subsidies on social services and utilities and the reduction of annual subventions to parastatals to about half of their 1985 levels. The implementation of these policy decisions has been diverse, in the sense that while subvention has been totally removed in some places (*Daily Times*, 17.8.89 in respect of Ondo state), government subsidies have not been totally removed on some goods (petroleum) and services, and many public enterprises still enjoy substantial subventions. Be that as it may, the removal of subsidies and subventions had three important effects on public enterprises management. The first implication is that parastatals are accorded, in principle, the autonomy of fixing user-charges along commercial lines. The second implication is that they are allowed to raise their funds from whatever sources. The effect is that parastatals become more sensitive to better utilisation of resources and cost reduction.

One notes that in actual fact the principle of autonomy in fixing their tariffs did not apply totally. Specifically, the Nigerian National Petroleum Corporation was not allowed to remove all the subsidy on petroleum products. A first increase of prices was allowed in April, 1987 and another increase approved with the institution of a two-tier price system as from 1 January 1989, with all the increases resulting in the removal of 50 per cent of the subsidy on the petroleum products. Since January 1, 1990, petroleum products prices have increased again. Similarly, the National Electric Power Authority was, in July 1989, allowed to increase its fares for all industrial and commercial uses (see A. Sesan in A.O. Phillips and E.C. Ndekwe (eds) 1988, pp. 137–156). This introduction of a new tariff structure by NEPA is an interesting case to illustrate how pricing is done. NEPA management proposed an increase of 160 per cent over the 6 kobo tariff, while the World Bank was demanding 60 kobo as a guarantee for the loan NEPA wanted from it. The Federal Government finally decided in favour of an increase of 650 per cent for this category of consumers.

c) *The Breaking of Public Enterprise Monopoly*

Public enterprises used to enjoy the protection of government, which had been preventing private initiative from seizing the potential business opportunity created by the poor performance of parastatals. This situation is now over (*Daily Times*, 16.9.89). The monopoly of Nigerian Airways was to be removed with respect to domestic flights under the Second Republic. This seems to have become a principle as government has not only encouraged competition with private investors in the air industry but also in postal services (Nigerian Postal Services, NIPOST and private courier companies, *The Guardian* 23.5.89), but it also supports competition among public enterprises (for example those in different types of transport). While competition with Nigerian Airways (on international routes) has not led to improved performance, there is ample evidence that, in most cases, competition has forced public enterprises to improve. NIPOST, which operates the Express Mail Service effectively and efficiently, is perhaps a good testimony to this.

d) *Pricing on Commercial or Profitable Lines*

Arising from the withdrawal of subsidies and subventions, public enterprises have the right to propose rates and tariffs which allow them to make profits or at least to break-even. However, given the social implications of price increases, government inputs are required in the review process, as government has the last say.

In practice, many parastatals have obtained governmental approval to increase their rates. The Nigerian Postal Services (NIPOST), the Nigerian Telecommunication Limited (NITEL), the Nigerian Airways, the Nigerian Railways Corporation, state transport corporations, and water corporations have since 1984 got one or more price increases (see C.A. Ajayi, 1988). The new increase in charges is a continuous process, particularly as the new foreign exchange system has consistently increased the factor proportion in the production function and it has become necessary to reflect the changes in production costs. The range of price increases is between 50 and 800 per cent. For instance, the price of natural gas used by heavy energy consumers, such as NEPA went up by 58 per cent. The price of same gas was to go up by 268 per cent for other consumers such as the National Fertilizer Company of Nigeria (*Daily Times*,

17.8.89 and *The Guardian*, 20.9.89). Service parastatals, such as the Federal Radio Corporation of Nigeria, the Nigerian Television Authority, and State Broadcasting Corporations have made important efforts at commercialising their services and thus charging higher prices as a way of increasing internally-generated funds to make up for the withdrawn subvention (*Daily Sketch*, 6.4.88). For instance, the Water Corporation of Oyo State, which is not a purely commercial organisation, has now resorted to discriminatory pricing and target pricing as a means of generating revenues to meet the running costs. Charge increases have a chain effect on prices of goods and services provided by private entrepreneurs, but also on those produced by public enterprises as well. Perhaps this is the reason why the Federal Government watches with keen interest all moves made by parastatals in this respect.

e) *The Review of Public Enterprises Activities with a View to Ensuring Better Utilisation of Resources and Improvement of Marketing Strategy*

In a bid to improve their internally-generated revenues and their profitability, parastatals in the 1980s have reviewed their activities in order to diversify their income sources and offset some of their costs. A good example of this is the Nigerian Railway Corporation under Dr. S.O. Ogbemudia as sole administrator. In May 1989, the Corporation launched a Lagos rail transit system as its contribution to easing the mass transportation problem in the city. After the success of this programme, it was extended to major cities such as Port-Harcourt, Enugu and Zaria.

Also, the corporation is presently studying ways of developing its landed property as a means of making profit from all the resources of the organisation.

Another example is the Lagos State Transport Corporation, which commercialised its tools workshop and also started inter-state services (*The Guardian*, 16.9.89). Similar initiatives of promoting new profitable ventures now abound in public enterprises as survival tactics; NIPOST's plans for measures to ensure faster mail delivery are at an advanced stage and the Nigerian National Petroleum Corporation (NNPC) is seeking participation in a Polish refinery (*The Guardian*, 28.7.89 and 22.9.89).

f) *Aggressive Efforts of Accounts Receivable Management and Debt Collection*

Nigerian public enterprises have the reputation of keeping very high arrears percentages and adopting a very nonchalant collection policy. However, there has been a growing awareness, with the economic/fiscal crisis, that debts constitute a more reliable and controllable source of revenues in contrast to many other sources of funds. Consequently, public enterprises are now making frantic efforts to collect their debts. Prominent among these public enterprises are NITEL, Nigerian Ports Authority, NEPA, Nigerian Airways, Water Corporations, and financial institutions (such as Federal Mortgage Bank and state-owned banks, the most celebrated case being the National Bank of Nigeria, owned by the state governments). Some people have even argued that organisations like NEPA need not increase tariffs but should rather collect debts (*Daily Times*, 19.9.89). In order to avoid accumulation of debts by its consumers, the Water Corporation of Oyo State, for example, has adopted a system of revenue target to be achieved in each of its operational zones every month.

The efforts of this strategy permeate the whole of the Nigerian public enterprises system. This has also demonstration effect, thus making virtually all parastatals wake up to the need to collect their debts. Paradoxically, the biggest debtors of public enterprises are also generally public enterprises. Hence, the positive effect of the aggressive debt collection efforts of central agencies like the Ministry of Finance Incorporated, (MOFI) charged with the responsibility of managing government investments (by way of equity or loans) in parastatals, has become quite remarkable. It appears that MOFI is also becoming more alert to debt recovery, which is an interesting development (*Daily Times*, 18.9.89 and *The Guardian* 22/9/89).

*g) The Use of Cost-Reduction Strategies*

Reducing running costs has become a serious concern not only with the elimination of subventions, but with the devaluation of the national currency which has sharply increased the cost of importing raw materials and equipment. Two major strategies utilised are the direct-labour system and the local sourcing of materials.

In the past, most of the business of public enterprises were done through contracts to private firms. This approach is very costly in money terms; hence some parastatals organize their staff to do the job in a bid to save cost although this might actually be costlier in economic terms. The Federal Government has for some time now championed the drive towards the promotion of the direct-labour system. However, this strategy is yet to take root everywhere as a possible alternative to the contract system, which is alleged to give room to all sorts of malpractices. On the other hand, the direct-labour system has the tendency of swelling the public enterprise bureaucracy once again.

As far as the local sourcing of materials is concerned, parastatals have no option, as foreign exchange is not available for the purchase of materials abroad. Imported materials are reserved for exceptional cases when no local substitutes can be found. The Nigerian Railway Corporation has successfully used this approach to refurbish its coaches. It is also said that this approach is in line with the spirit of the Structural Adjustment Programme.

*h) The Strategy of a Strong Maintenance Culture*

Concomitantly with cost-reduction strategies, Nigerian parastatals have been forced into planning a maintenance culture, as a way of saving scarce resources and increasing their operational effectiveness and efficiency. In some cases, maintenance was given special attention as a means of refurbishing some of the plants slated for commercialization and even privatization, thereby making them attractive for investors. The Nigerian Telecommunication Limited is a good example in this respect, in that measures have been taken to ensure that 95 per cent of faults reported are cleared within 48 hours. An on-the-spot investigation at NEPA indicates that such a strategy is being promoted while workers still lack the minimum of tools to clear faults. Many parastatals have similarly developed new mechanisms for ensuring that they can resuscitate their broken-down equipment (Obafemi Awolowo University is an example with its Central Service Unit).

*i) The Funding of Parastatals Through Loans*

In consonance with the developments in the country, public enterprises are being given more powers to raise money from either internal or external sources, by way of

loans. Although the government has continued to be noted for its loans in support of specific projects which are of interest to it (*Daily Times*, 20.9.89 and 19.9.89), it is the resort to foreign loans that constitutes the major development. The national dailies are replete with stories about parastatals seeking or getting loans from international development agencies like the World Bank and African Development Bank (*Daily Times* 16.9.89 and *The Guardian* 14.10.89). The merit of this mode of financing public enterprises is perhaps that it infuses more discipline in the management as the loans must be repaid, and the terms of the loans must be respected. This limits somehow the power of government to manipulate public enterprises as it wishes.

*j) The Growing Awareness about Public Accountability*

Another interesting development in the management of public enterprises during this decade of economic crisis is the beginning of the concept of public accountability. Generally, it is known that parastatals and their management depend on the whims and caprices of political office-holders and that they care very little about the public. The poor performance has not only given rise to serious criticism, but also citizens' expectations for better services and more value for money are on the increase as they feel the economic crunch. Consequently, the parastatals can no longer continue to ignore them or to take them for granted. In recent times, some parastatals, namely NITEL Nigerian Airways, Nigerian Railway Corporation and particularly NEPA, have paid special attention to their public relations efforts, by way of acquainting the public with their problems and their endeavours to serve them better. A good example is the pain taken by NEPA, in explaining, through advertisements in the newspapers, that its tariffs would increase, in view of the high increase in its own operational costs over the last ten years or so (*The Guardian* 13.9.89). The new increase is even presented as one of the means of ensuring improved performance and better service.

The efforts made by the parastatals with a view to diversifying their services and improving on their marketing strategies partly respond to the awareness of the need for public accountability. Section 7 of Privatization/Commercialization underscores this need for accountability by stipulating that between 10 and 20 per cent of the shares, even in the privatized enterprises, shall be allocated to institutions that generally constitute the embodiment of public interest.

*k) The Relevance of Training, Professionalization and Better Remuneration for the Improvement of Public Enterprise Performance*

One important feature of the public service reform efforts in Nigeria is the recognition of the crucial role that training and good conditions of service can play in the strengthening of public service organizations. This awareness is partly indicated by the emphasis laid on training in the 1975 public service reform and the 1988 civil service reforms.

Closely related to the importance attached to training is the idea that professionalization (entrusting professionals to the management of parastatals) has considerably taken ground even if there are obvious signs that governments still overrate the political criterion. The recent incident that led to the suspension of the managing director of the Nigerian National Petroleum Corporation and the managing director of Nigerian Liquefied Gas Limited is a clear testimony to these conflicting

ideals (*The Guardian* 29.9.89 and 30.9.89). As far as remuneration is concerned, parastatals have in many cases brought their salaries in line with those in the private sector, in order to keep their personnel. The Nigerian Airways' pilots salaries is an example of this trend.

#### *1) The Appointment of Sole Administrators in Public Enterprises*

Perhaps one new managerial practice that is becoming entrenched before we move to typically structural or institutional innovations under the new developments is the recourse to the sole administrator as the chief executive in Nigerian parastatals. In effect, one observes that there has been continuity in the instability and politicking in the constitution and functioning of the institution of Board of Directors (the highest policy-making body) in Nigerian public enterprises. The dissolution of boards, especially under the present administration, has invariably been followed by the appointment of an administrator vested with very wide powers to revamp the enterprise or bring it back to its normal tracks (*Daily Times*, 16.9.89).

The Sole Administrator is given a deadline to achieve some specifically outlined objectives, even if he is assisted by a Task Force. While the personality of the incumbent of this position may justify some doubts about the establishment of such a post, there is no disputing the fact that, as was the case with the Presidential Task Force which worked with the Sole Administrator of the beleaguered Nigerian Airways, the idea of Sole Administrator seems more conducive to speedier and efficient management. Another good example is the Nigerian Railway Corporation with the appointment of Chief S.O. Ogbemudia as Sole Administrator in April 1989, if one considers all the important achievements he has already made.

#### **4.2.2 Some Emerging Structural/Institutional Re-Organization Patterns**

The Nigerian public enterprise sector, as an organizational setup, is very dynamic and unstable. But the changes in this sector reached an unprecedented development in the 1980s, particularly after 1986. It would be a tedious exercise to present here descriptions of the structural and institutional innovations that occurred. Rather, efforts will be made to highlight briefly the major patterns of reorganization that have been emerging.

In spite of the instability and the dynamism of the re-organization process, it appears clearly that the government's policy of commercialization and promoting efficiency and even profit making in the public sector has been the guiding principle of the restructuring. It is against this background that the developments must be understood.

##### *a) The Establishment of Institutional Frameworks for Implementing Privatization and Commercialization*

The type of arrangements made with a view to implementing and enforcing the privatization and commercialization process vary widely in the country. Only some key elements will be highlighted here to underscore the awareness of the need for a framework for the reform exercise.

Under the Privatization and Commercialization Decree, a technical committee, known as the Technical Committee on Privatization and Commercialization, was set

up in order to advise government on the capital restructuring needs of the enterprises concerned, to facilitate and carry out the successful public issues of shares of privatized enterprises concerned, to advise on allotment of shares and oversee their sales, and to ensure the success of the exercise in total. This committee has been fully active for more than two years now to perform this function. The general impression is that it is performing creditably. Out of the 110 enterprises slated for full or partial privatisation, TCPC had by 1990, succeeded in privatizing 20 companies and disposed of 44 projects designated as non-water assets of River Basin Development Authorities. A total of N216 million was realised from the sale of the 20 companies alone (see Table 21).

At the state level, while state governments have to seek the advice of the Technical Committee on Privatization and Commercialization, they have in the majority of cases set up Inter-Ministerial Committees of their own to advise government and set up guidelines for privatization and commercialization. As the cases of Bendel, Ondo, Kwara and Oyo States, for instance, indicate, the Inter-Ministerial Committee has, among other things, underscored the need for pre-conditions such as the relaxation of financial restructuring, reduction of governmental controls, management restrictions, management and staff reorganization, marketing strategy, financial accounting controls and the need for a commercialization Task Force in implementing privatization policy. The states, being at varying stages of the commercialization process, the required institutions are in the process of being established, although each state deserves to be considered on its own merit.

It is perhaps interesting to mention that private sector organizations have also been involved in the process of implementation of the commercialization policy and that at times the public enterprise concerned initiates the study and preparation for the exercise. For instance, the Nigerian Mining Corporation has commissioned the firm of Unigbe, Akinola and Co. (Chartered Accountants) to make recommendations for its commercialization.

#### *b) The Dissolution of Some Public Enterprises*

This represented the most simplistic way of reorganizing the public enterprises sector, and government (both at federal and state levels) have resorted to this approach during the decade. For example, the government disbanded the Nigerian National Supply Company and the various commodity boards because it was assumed that their functions are better performed under private initiative. However, there are some other forms of dissolution which have given way to other forms of parastatals. Attention will now be devoted to such situations.

#### *c) The Merger of Public Enterprises*

In a bid to rationalize the parastatals, many mergers have taken place, especially at the state level. For example, the former Bendel State of Nigeria Water Board and the Bendel State Rural Electricity Board were fused to constitute the Bendel State Public Utilities Board in 1987. Similarly, in the same state and the same year, the state government merged the former Bendel Lines and the Armels Transport Company Limited and incorporated the Bendel Transport Service Limited. Such occurrences have become rampant in Nigeria during this decade of economic crisis.

d) *The Reorganization to Suit Commercialization of Public Enterprises*

This type of reorganization has taken several forms. The most important are:

- the establishment of a holding company to coordinate and monitor the activities of all companies in which government has interest. A good example is provided by the Ondo State Investment (holding) Company, formed in 1985 from the Ondo State Investment Corporation.
- the adoption of the incorporated company legal form to replace the statutory corporation legal status. This development is also in consonance with the provision of Section 5(1) of the Privatization and Commercialization Decree with respect to enterprises to be privatized.

Table 21. Some Data on Privatization: Progress Report, (1990)

Privatised Companies	No. of Shares Sold (Of 50 Kobo Each)	Value (N)
African Petroleum Ltd.	17,280,000	32,832,000.00
National Oil	16,800,000	33,600,000.00
Flour Mills of Nigeria	7,800,000	6,240,000.00
UNIC Limited	14,640,000	17,568,000.00
American International Ins. Co. Nig. Limited	3,920,000	6,468,000.00
Prestige Assurance Co. Nigeria Limited	2,920,000	3,381,000.00
Royal Exchange Assurance Co. Nigeria Limited	10,152,072	17,591,126.00
Sun Insurance Nigeria Ltd.	1,176,000	1,470,000.00
The Niger Insurance Company Limited	6,800,000	8,840,000.00
NEM Insurance Company Ltd.	784,000	901,600.00
West African Provincial Insurance Company Limited	668,000	734,800.00
British American Insurance Co. (Nig.) Limited	3,920,000	4,312,000.00
Crusader Insurance Company (Nigeria) Limited	1,960,000	2,548,000.00
Guinea Insurance Co. Ltd.	1,879,743	1,503,794.40
Law Union & Rock Ins. Co. of Nigeria Limited	3,910,000	3,714,500.00
The United Nig. Life Insurance Company Limited	679,328	611,395.00
Ashaka Cement Company Ltd.	32,500,000	39,000,000.00
Nig. Yeast & Alcohol Mfg. Company Limited	4,590,000	3,213,000.00
Okomu Oil Palm Co. PLC	25,806,150	23,225,535.00
Michemtex Industries PLC (Shares of N2.00 each)	900,000	8,460,000.00
Totals	159,105,293	216,214,750.40

Source: O. Kuye "Problems and Prospects of Privatisation and Commercialisation in Nigeria at the Federal Level", *Quarterly Journal of Administration* (forthcoming, 1991)

- the excision of part of an enterprise to be hived off to the full status of corporation or incorporated company. For example, when the Oyo State Government decided to commercialize the Investment and Credit Corporation in 1986, the Agricultural Credit Department was excised from it. While the other departments were constituted into a limited liability company (Trans Investments Company Limited), that department was transformed into the

Agricultural Credit Corporation (Oyo State Agricultural Credit Corporation), giving it the social service aspects of the former organisation.

- the structural re-organization of the enterprises into subsidiaries or strengthening of some operational divisions or departments, or the commercial divisions, through diversification of activities and the revamping of inherited projects which are found viable. To cite a concrete example, NNPC was restructured in October 1985 into six sectors (refineries, petrochemicals, inspectorate, pipeline and product marketing, oil and gas, and NNPC as the holding company). The second re-organization, in March 1988, involved the establishment of 11 subsidiaries, two of which are not operational yet.
- the curtailment of the goals of objectives of existing institutions. For example, the River Basin Development Authorities, which were established in the 1970s, had their objectives restricted to water resource development in 1986. During the 1980s, these institutions also suffered considerable encroachment on their functions by various other agricultural parastatals, particularly the Agricultural Development Projects.

#### e) *The Creation or Establishment of New Parastatals*

The existence of a commercialization policy should not leave us under the impression that the number of public enterprises has been declining steadily. The fact of the matter is that public enterprises have continued to proliferate in areas where policies demand it. For instance, the importance of mass transit policy to this government partly justified the creation or reactivation of transport public enterprises virtually in all the states of the federation. Powerful institutions like the Directorate for Food, Roads and Rural Infrastructures (DFRRI), the Directorate for Social Mobilization (MAMSER) and the National Directorate for Employment (NDE) deserve mention. The government is still contemplating setting up a spate of other parastatals (*Daily Times*, 19.9.89) even in trade (the case of Bulk Purchasing Corporations, which are thriving now after disbanding the Nigerian National Supply Company, NNSC, is instructive).

#### f) *The Strengthening of Some Pre-existing Parastatals*

The commercialization policy being part of a broader philosophy of economic liberalization, one would not expect the paradoxical situation in which some public enterprises become even more powerful. The case of the Central Bank of Nigeria is perhaps a very illustrative example of this. After 1986, despite the attempts to deregulate the economy, the powers of the Central Bank have been consolidated. Not only is it now directly under the Presidency; it is also to advise, implement and monitor the intensive monetary policies which the administration is surprisingly resorting to.

#### g) *The Institutional Framework for Evaluation and Monitoring the Performance of Public Enterprises*

Even though no definite satisfactory arrangement has been achieved yet, there is a consensus about the need for an institutional framework for evaluating and monitoring

the performance of public enterprises. Efforts at state level through the Parastatals Department of the Office of the State Governor and, at the federal level in the Ministry of Finance, incorporated the establishment of the Parastatals Department of the Office of the President and the Statutory Corporations and Agencies Department (*Daily Times*, 25.2.87) are worth mentioning. The problems arising from these arrangements notwithstanding, the emergence of a viable framework is no more a distant dream.

#### **4.2.3 *Redefining the Scope and Re-orienting the Role of Government Through Public Enterprises***

The ultimate objective of whatever changes took place in the Nigerian public enterprises sector over the last 10 years or so is to redefine the scope and re-orient the role of government in the polity. The policy of commercialization and privatization certainly constitutes the quintessence of the new direction in which government is moving, and it epitomizes the major issues arising from this process of redirection. Without any pretence at taking stock of the commercialization and privatization process, which is actually on in the country, it is our intention in this section to highlight a few points relating to the way in which the process has assisted or is assisting in folding back the frontiers of the state and changing the principles of government intervention in Nigeria.

##### **a) *The Hesitations and Vagaries Surrounding the Idea of Commercialization and Privatization***

It has already been mentioned that the idea of commercialization and privatization is premised on the following assumptions: the inherent inefficiency of public enterprise, the superiority of private initiative, the transferability of private management principles and practices, the existence of activities better managed by private enterprise, and the perceived need to fold back the boundaries of the state to its 'normal' size. Apart from the fact that each of these assumptions is highly debatable, the evolution of the idea of privatization and commercialization indicates that it is difficult to ascertain whether the policy-makers are convinced of the validity of the assumptions or whether they simply yield to the demonstration effect of the privatization phenomenon throughout the world, or to the influence of the international agencies that advocate this new orientation.

In effect, although the idea was first mooted by Onosode Commission in 1981 and accepted in principle in 1982 by the Shagari administration, no concrete action was initiated until the demise of the regime in December 1983. The accentuation of the economic crisis led the Buhari administration to set up a study group on statutory corporation and state-owned companies to, *inter alia*,

undertake an in-depth study of the desirability or otherwise of privatization of parastatals and state-owned companies; identify those which can be privatized and recommend the methodology of achieving such a programme in the public interest (1984 Report, p. 1).

The study-group came up with the following conclusions and recommendations:

- (i) Government should adopt the principle of selective privatization as a policy measure which could prompt each parastatal to perform better and save public funds;
- (ii) Privatization should be pursued only where conditions are favorable and where vital national interests will not be jeopardized;
- (iii) Privatization should only be seen as a gradual process and each case should be considered on its own merit and carefully worked out before implementation;
- (iv) In the event that the value of the shares which need to be sold to achieve the desired level of private sector participation is very substantial, government should consider giving special terms to promote the sale. For example, government could allow for one-third of the value of the shares applied for by a person to be paid at the time of application, one-third, six months after allotment, and the remaining one-third, six months thereafter.
- (v) Since the principal aim of privatization is to improve efficiency in the delivery of services and to enhance financial and operational performance, private sector equity participation must be large enough and properly structured to provide for the autonomy of the enterprise. In this connection, private sector majority share holding of the order of 55–70% shares should provide for at least 35–45% to be sold to large shareholders who are capable of buying up to a minimum of 31%–51% of the shares while the rest is sold to small shareholders (1984 Report, pp. 52–53).

What can be said about these conclusions and recommendations is that the study group has demonstrated enough caution in its attitude and evidence that it depicted the complex nature of the idea. The Buhari administration accepted the recommendations in principle and even insisted that privatization should be seen as a gradual process, that each case should be considered on its merits, and that it should be carefully worked out before implementation (Government's Views on 1984 Report, p. 13). At the same time, it insisted that "it reserves the right to take reasonable action to ensure the achievement of the objectives of the parastatals and the protection of the public interest" (Government's Views on 1984 Report, p. 14). Consequently, the government rejected the privatization schemes drawn up by the study group and indicated that it

would rather go into commercialization... because as a result of the study group on the Commercial Companies, we found out that there is a large public investment, which it would be unfair for this administration to sell to a few people so that people who bought those shares will just realize so much profit (New Nigerian, 25/7/85).

Partly due to its sensitivity to the political issues involved in the privatization/commercialization of public enterprises, the Buhari administration did not reach a settled policy until it was overthrown in August 1985.

As far as the Babangida administration is concerned, it made a clear statement about its policy in the 1986 Budget speech.

Government parastatals ... have generally come to constitute an unnecessary high burden on government resources... In respect of existing public holdings in **commercially-oriented enterprises**, government has also decided to *divest its holdings* in agricultural production, hotels, food, beverages, breweries, distilleries, distribution, electrical and electronic appliances, and **all non-strategic industries**. It will also consider reducing

its holdings in banks, insurance companies and other financial enterprises without losing control. The divestment process will however give special encouragement and preference to groups and institutions like the trade unions, universities, pension funds, voluntary associations, patriotic unions, youth organizations, women societies, local governments and state investment companies. Care will also be taken to avoid the divested holdings from being concentrated in the hands of few individuals or few areas of the country. (emphasis added).

This statement of policy raises some fundamental questions which make it difficult to fully rationalise the policy: What is the real objective of privatization? Is it to improve public enterprise efficiency or to hand over to private investors sectors in which the public sector has been making money? What do 'strategic and non-strategic industries' as well as 'commercially-oriented enterprises' refer to? How does government want to justify and underscore its commitment to controlling some enterprises?

There is no doubt that the implementation of the policy is likely to greatly undermine the state's control over the economy (Adamolekun and Laleye, 1986).

However, one surprising point about privatization and commercialization is that, in spite of the policy statement, it took the government more than two years to come up with a legal document backing the exercise (Decree No. 25 of July 6, 1988). This delay is certainly not unconnected with the controversies and hesitations on the policy. Furthermore, when one considers the list of enterprises to be affected, one becomes convinced that the definitions of "strategic", "non strategic" and "commercially-oriented" leave much to be desired. The logic for partially or totally privatizing, or partially or totally commercializing, some enterprises can rightly be questioned as it clearly shows some arbitrary elements. In schedule 1, the list of enterprises in which equity held shall be privatized, one finds it difficult to rationalise the extent and purpose of the control which government seeks to maintain in these organizations. The diversity of the figures of equity to be retained by government does not allow one to understand what government is actually after. A summary of the share reduction schedules placed in the privatization and commercialization decree is presented in Table 22.

In a nutshell, the policy of privatization and commercialization is, as it were, embedded in a serious lack of conceptual clarity and consistency. As a result of this, policy instruments have been hard to find or devise and the implementation of this policy has been rather slow in spite of the affirmed strong commitment to the new direction by the present administration.

#### *b) The Diversity of Experiences in the Country*

In spite of the above-mentioned issues of conceptual confusion, there has been a wide diversity of experiences of privatization and commercialization, perhaps less as a reflection of the new philosophy than as necessary steps arising from the financial crunch and the withdrawal of government subventions and subsidies. The peculiarity of the problems and options in each state or each parastatal is also an important factor that increased this diversity of experiences. The preceding sections of this study have provided some highlights about the diversity. In order not to repeat what has been said before, it will suffice to mention that a multitude of approaches and modalities was adopted to trim down the size of government in business, in consonance with the idea of privatization and commercialization.

Table 22. Nigeria's Federal Government Privatization and Commercialization Programme

Sector	No of Companies	Types	Average Equity to remain in Government
<b>A. Privatization</b>			
Development Banks	4	Partial	
Oil Marketing Coys	3	Partial	
Air & Sea Travels	2	Partial	
Fertilizer Coys	2	Partial	
Paper Mills	3	Partial	
Sugar Coys	3	Partial	
Cement Coys	5	Partial	
Hotels and Tourism	3	Full	
Textile Coys	3	Full	
Transportation Coys	4	Full	
Food & Beverage Coys	6	Full	
Agric & Livestock Production	18	Full	
Salt Coys	2	Full	
Wood & Furniture Coys	2	Full	
Insurance Coys	14	Full	
Film Production & Distribution	2	Full	
Flour Milling	1	Full	
Cattle Ranches	2	Full	
Construction & Engineering Coys	4	Full	
Dairy Coys	2	Full	
Others	4	Full	
<b>B. Commercialization</b>			
Enterprises to be fully Commercialized	9		Petroleum Corporations, Telecommunications, Insurance
Enterprises to be Partially Commercialized	18		Railways, Ports, Electricity, River Basin Authorities, Steel Coys, Broadcasting, Housing, Hospitals
Enterprises to Remain as Institutions			National Water Public Resources Educational, Cultural Institutions.

Sources: The Privatization and Commercialization Decree No. 25 of 1988, Technical Committee on Privatization and Commercialization, *Annual Report and Audited Accounts 1988/89* Lagos.

As far as the approach is concerned, it was a piece-meal one to begin with, whereby the Federal Government and various state governments, after studying the problems of a particular parastatal on its merits, decide to review the ownership or shareholding structure by inaugurating a programme of divestiture. For instance, in 1985, the Board of Directors of Kwara Breweries, which predominantly belonged to Kwara State government, suggested that it be privatized in view of the problem of the company. The modalities were worked out in 1986 and a recommendation was made that the share of the government be reduced to 40 per cent and the remainder sold to the public. The government of Kwara State instantly gave its consent and the privatization process was set in motion, unfortunately with little positive result until very recently. It is the same piece-meal approach that the Kwara State adopted in

selecting many other of its public enterprises for privatization, after consideration of recommendations from the management of these bodies or from various investigation committees set up to analyse the problems of parastatals in the state (see Y.Y. Ogirimah, 1989).

A second approach adopted is the comprehensive approach which consists in determining clearly the extent of government disengagement in a single policy decision. Oyo State provides a good example of this. In January 1987, a Cabinet Committee on Privatization was set up to make recommendations on the matter. Seven enterprises were recommended for privatization. The recommendation was considered by the state government in June 1987 and a decision was taken to reduce equity holding in companies where it was owning more than 25 per cent of the shares. The implementation of this policy met with serious problems (see J.A. Adeleye 1989).

A third approach is a mixture of the two preceding ones, with varying degrees of each. Bendel State and the Federal Government, for instance, have adopted this attitude. In 1984, the Bendel State government decided, after studying the report of committees it set up to analyse the performance of public enterprises, that it would not own more than a 30 per cent share in any commercial/industrial venture. At the same time as this decision was reached, Bendel Wood Industry Ltd. and Bendel Laundry, for example, were sold out to private concerns; Oil Palm Plantation, Obaretin and some branches of Bendel Hotels Ltd. were hired out to private business men on annual fees to government; and many other agencies were wound up completely. It was while negotiations were going on with private investors in some of the enterprises to be privatized that government realized the need to streamline its action and look at the public enterprises more critically. It then set up an inter-ministerial committee to advise on privatization, commercialization and government joint ventures with private investors.

Similarly, in the wake of the Structural Adjustment Programme, the Federal Government summarily sold Madara Limited (a dairy company), Manchok Cattle Ranch, etc., in 1986, long before the privatization and commercialization policy was systematically organized through Decree No. 25 of 1988. It also disbanded the various Commodities Marketing Boards (cocoa, cotton, groundnut, palm kernel and soya beans).

The modalities of the privatization and commercialization process also varied widely and included the following:

- hiring out public enterprises to private management on a variety of terms;
- reduction of government shares and incorporation of such enterprises as were not already incorporated under the Companies Act of 1988. This capital restructuring did not follow any uniform and rational pattern, but it was expected to lead to significant management structural reforms (The Guardian, 28.9.89 and 31.10.89).
- outright sales of public enterprises to private investors;
- re-orienting the management of government enterprises towards profit-making, cost effectiveness and cost-consciousness. Here also, there has been no hard and fast rule about this re-orientation and the difference in the degree of commercialization is an indicator of this.
- revamping of some ventures with a view to improving their performance in order to make them attractive to private investors and render their eventual privatization possible and effective.

c) *The Inconsistencies and Contradictions of the Privatization and Commercialization Policy*

In discussing the hesitation and vagaries that surrounded privatization and commercialization, it was shown that the policy was embedded in serious inconsistencies and contradictions. These also explain, to some extent, the diversity of experiences with regard to privatization and commercialization in the country. The objectives here are to highlight some of the paradoxes that could be observed in spite of the policy orientation toward reducing the role and importance of government in business.

Firstly, in an attempt to make the public enterprises to be privatized more attractive to private investors, more public investments have had to be made, in order to put them on a sound footing (J.A. Adeleye, 1989). In other words, the redefinition of the scope of government is yet to imply a diminution of public investments in parastatals.

Secondly, the experience of the privatization of a few parastatals so far has shown that the exercise has not led to the reduction of government control over these entities. In effect, with the system of share allotment, it may be difficult to have strong, organized private sector representation on the board (*The Guardian*, 9.10.89 and 17.9.89).

Thirdly the concept of commercialisation has been in constant conflict with social service policy. The adoption of the policy of commercialization has not prevented government from at least reckoning with some areas of public policy where profitability cannot be the ultimate objective. There are also some social consequences of privatization which require special skills in handling unemployment, uneven distribution of shares across the country both in terms of classes and geography, the implication for foreign participation in the economy, high service cost etc. All these considerations led the Federal Government to establish, in 1990, a study group to study and make recommendations on the social impact of privatization/commercialization.

Fourthly and finally, it must be recalled, at the risk of repeating what has been said earlier, that arising from the action of new public enterprises, the number of public enterprises has not declined, it might rather have increased, contrary to the normal expectation in a situation in which so much publicity is made in connection with the firming out of public enterprises. In effect, not only is the firming out too slow, but new parastatals have kept on emerging in various sectors (MAMSER, NDE, transport companies, etc.).

Although these paradoxes, and certainly many others not mentioned, have led people to ask intriguing questions, privatization and commercialization have, however, started to yield some positive gains, particularly pertaining to resource mobilization and utilization (*The Guardian*, 25.8.89).

### **Concluding Remarks**

This study has looked at the effects of the economic crisis on the Nigerian public enterprise system. It has highlighted some major changes in management principles and practices and also some emerging structural institutional reorganization patterns. Finally, it has examined the policy of privatization and commercialization, both in theory and in practice, in order to see how it has permeated development in the public enterprise sector. Perhaps one of the major points which deserve emphasis is that,

while the economic crisis has ushered in some significant changes in the management and organizational principles of public enterprises, the philosophy of reducing the scope of government and redefining its role has been less consistent, with the result that, despite the hues and cry about privatization and commercialization, government seems to have gained even more importance. Furthermore, experience shows that there are certain limitations/obstacles in making profitability the only or major principle for managing public enterprises.

Be that as it may, it is a fact that the new changes need more time to consolidate in order to reconcile better objectives and structures of privatization, with management principles. The same time factor will allow us to see the impact of the changes on the standard of services as well as the level of satisfaction the public now derives from the services. Unfortunately, it has not been possible for this study to say much about this.

# 5

## Education Service Management

The objective of selecting education as a case for special study is that while the state is expected to reduce its level of financial commitment to this subsector under SAP, on the other hand, it is also a sector which is politically sensitive. The discussion which follows exposes the predicament and strains that attend a situation in which the state is caught between conforming to the rational demands of an uncertain economic reality and the pressures of politics. The later part of the section concentrates on these problems under SAP conditions.

### 5.1 Background, 1975–83

Government involvement in education in Nigeria dates back to colonial times, but it was not until the 1970s that it really assumed a phenomenal dimension. Schools were initially established and run by philanthropists, missionaries and local authorities. The oil boom changed everything. Thus, by 1975, the landscape of education funding and administration in Nigeria had changed entirely to one of a strong government presence. The developments discussed below illustrate this point.

The Universal Free Primary Education Programme was launched in 1976 under the auspices of the Federal Military Government. With this, enrolment in primary schools increased from about 6 million in 1975/76 to about 8 million in 1976/77. School enrolment increased progressively since then, and this had effects on other levels. Secondary school enrolment increased from about 610,000 in 1975/76 to 1.1 million in 1978/79. At about the same time, the federal military government, confident of its financial strength, also took over all the universities in the country and declared free undergraduate tuition and highly subsidised maintenance facilities for all university students.

But this buoyant financial situation was short-lived. The Federal Military Government started to gradually withdraw its support for the education sector from about 1977/78 (see the sharp decline in federal funding for education between 1980 and 1985 in Table 18). Yet maintenance costs in all education subsectors and especially in the universities were increased. However, the fact that this decision sparked off a bloody student crisis, together with rising student enrolment (especially at primary school level), meant that a radical shift in policy was not feasible.

The really powerful restraint against a radical change in policy was the return to civil rule in 1979. Education again became an attractive issue for partisan politics. One of the main political parties, the Unity Party of Nigeria (UPN), declared free education at all levels. The Federal Government under the National Party of Nigeria pursued a policy it termed 'qualitative education at all levels'. This was not free, but it imposed a huge burden on government in terms of funding and overall quality (Ayo, 1988).

The result of all these was that the educational sector continued to expand rather than contract at a time of economic and financial crisis (see Table 23). It is important to note that these developments affected all levels. Federal control of university

education was rescinded by the 1979 Constitution. As a result, about seven state governments, including Lagos, Ondo, Ogun and Bendel, established their own universities between 1980 and 1984. In like manner, the Federal Government became more prominently involved in secondary education, with the establishment of at least one federal government secondary school in each state. By 1980, there were about 46 of these schools, and between 1980 and 1981 alone, their total enrolment increased by about 20%.

In spite of an initial resistance by the national legislature, the Federal Government also established an Open University in Abuja. In addition, seven new Federal Universities of Technology took off between 1980 and 1983. To facilitate their take-off, the 1981 Budget, for instance, allocated 64% of total recurrent expenditure and 54% of capital allocation in the education sector to the university system. In the same vein, N22.5 million was earmarked for scholarships in 1982 and N446 million allocated to all universities' recurrent and capital needs. Besides, about seven Colleges of Education were up-graded to degree-awarding institutions within the first term of the civilian era. This situation at the tertiary level has been justified on the ground of the enormous demand at the secondary level for trained teachers and the overall pursuit of qualitative education.

There were several complementary efforts at other levels. For instance, between 1979 and 1981 alone, the Federal government set up seven new Advanced Teachers' Colleges, 2 National Technical Colleges and one Advanced Teachers College for Special Education.

One of the most remarkable aspects of Nigerian education in the Second Republic is the National Policy on Education, first adopted in 1977 and subsequently revised in 1981. One gets the impression that the formulators anticipated the crisis of the 1980s and consequently incorporated a number of relevant elements.

The National Policy sought to establish a uniform educational system that is rooted in Nigeria's distinct historical and socio-economic and political realities. It pursued a set of values that follow logically from Nigeria's developmental objectives. Its focus was comprehensive as it covered all aspects of education. Yet it presented a properly integrated and inter-related system of several parts. The main strategy of the policy was the 6-3-3-4 system. According to this, every child was expected to undergo six years of primary education and three of junior secondary school, whose orientation would be broad-based and intended to direct the child to the area in which he/she is most gifted. Thereafter, the child was to go for another three years of senior secondary education, but here the orientation could be either technical or academic. After this, the child could go for another four years of post-secondary education in a university, polytechnic or any other relevant institution.

The purpose of this policy is to produce an educated and skilled person who is socially relevant and self-reliant. It intends to break away from the previous educational tradition under which each child was prepared for a white-collar job. To emphasise that the attention is not on the child alone, the Federal Government launched a National Adult Literacy Campaign in 1982, which is also a part of the new national policy. Undoubtedly, this policy embodies the spirit of the different strategies being worked out in response to the prevailing crisis (Nigeria 1981, Oyedeji, 1983, The World Bank 1985, Omolewa 1987).

The foregoing is only a brief summary of the many changes which took place in Nigerian education up until 1983. The important point is that the educational sector

was at this time highly politicised. Consequently, student enrolment and resulting financial burden on government increased despite a manifest crisis in the economy.

Though the different governments of the Second Republic may have tried to whitewash the progress in the educational sector by ensuring that steady increase in enrolment was recorded during this period, the economic crisis ultimately forced some adjustments in the sector. But as those adjustments were not rationally and systematically conceived, the effects and manifestation were generally detrimental to the nation's educational system.

Table 23. Nigeria Education Statistics, 1975-1988

Years	Primary		Post Primary			Universities			
	No. of Sch.	No of Pupils In Sch.	No. of Teach.	No. of Sch.	No. of Stud.	No. of Teach.	No. of Sch.	No. of Stud.	No. of Teach.
1975/76	21,223	6,165,517	177,221	1,889	745,715	16,636	13	32,286	2,974
1976/77	30,726	8,100,324	251,362	1,995	904,931	23,946	3	31,110	N.A
1977/78	34,310	9,867,961	291,457	2,274	1,131,112	29,443	3	37,558	N.A
1978/79	35,328	10,793,550	301,427	2,606	1,451,242	34,609	3	40,423	5,274
1979/80	35,723	12,117,483	343,551	3,201	1,064,713	41,021	3	57,502	5,840
1980/81	36,783	13,771,923	369,636	4,963	2,345,604	81,402	20	57,502	5,840
1981/82	37,614	14,311,608	386,826	5,594	2,850,290	89,076	20	85,743	8,470
1982/83	37,883	14,676,603	383,989	(6,234)	(3,234,644)	102,282	28	104,774	8,736
1983/84	38,211	14,333,467	359,701	6,190	(3,402,065)	92,950	28	104,163	9,457
1984/85	35,281	13,025,237	308,072	5,911	2,988,174	(114,338)	28	245,105	10,038
1985/86	35,433	12,914,870	292,821	5,312	3,117,586	(106,132)	28	373,667	11,016
1986/87	-	-	-	-	-	-	28	413,201	12,404
1987	30,148	12,000,000	270,173	-	-	-	28	-	-
1988	-	-	-	-	-	-	28	658,14	13,572

From 1984-1988, the figures include those of the State Universities.

We have already made reference to the unfaithful implementation of the 6-3-3-4 programme. Let us develop this point further by discussing the administrative system that was put in operation in the sector. The phenomenal rise in enrolment is expected to be accompanied by corresponding increases in the number of schools and teachers. This alone need not aggravate the government's financial burden. The real problem was the fact that the educational policy was almost entirely government-centred. In fact, a government-funded educational policy was regarded as ideal in some states. Thus, in Lagos State, for instance, private-sector participation was proscribed. Similarly, an attempt to establish a private university in the eastern part of Nigeria was frustrated by the Federal Government's refusal to grant permission. It subsequently promulgated a decree making private universities illegal.

In this circumstance, the management of education became unduly centralised and bureaucratic. Lagos State provides a very illustrative case of this. Under the Lagos arrangement, the Ministry of Education was placed in the centre of affairs. It was charged with the responsibility for policy matters, general supervision, establishment and maintenance of standards, monitoring of programmes, etc. There were only two professional divisions in the ministry to handle all of these. But, in addition, several

parastatals such as the Schools Management Board, the Scholarship Board, the Library Board and the Continuing Education Board were created to handle education-related matters. All these, together with the Office of the Special Adviser on Education, enabled the State Chief Executive to directly intervene in the implementation of the educational programme (Olowu, 1990).

Another interesting feature of Lagos State education in the second period was the powerful position of the Schools Management Board. The Board was not only responsible for the appointment, promotion, transfer, discipline and welfare of teachers, but also served as the main agency for ensuring the provision of school buildings, furniture, equipment and examination materials; it also undertook curriculum development as well as physical planning and development. The Board, which was chaired by the State Commissioner for Education, had an Executive Secretary.

The desire of every government to maximize the political advantage of education encouraged the replication of a structure akin to the above. The situation of the Federal Government would appear to be even worse. The Federal Ministry of Education expanded from personnel strength of about 2,550 in 1973/74 to about 12,384 in 1983, bringing all the federal educational institutions in the country under its umbrella.

## 5.2 Educational Policies at the Onset of the Economic Crisis

As the economic crisis became more intense, the rigidity of this operational system was more manifest. The governments' bureaucratic approach encouraged a lot of waste and duplication. Poor control and supervision became common. Hence, even in crisis, cost-effectiveness could not be realised. At the same time, workers became restless with the pains of the times and visited their venom on government.

Government responded with a number of actions. First, the Federal Government conceded to a nation-wide salary review for university teachers in 1980. With this, the university salary system was disengaged from the civil service (a la the Udoji Commission Report of 1974) and assumed an autonomous, seemingly more attractive status.

But the committee which recommended the adjustments in university salaries had stressed the necessity for corresponding attention to other aspects of the university system, especially to ensuring a conducive research and teaching environment. The worsening economic situation made it difficult for the Federal Government to fulfil its pledge in these other respects. Indeed, the situation gradually grew worse after 1980 such that by 1982/83 the government attempted to reverse its earlier review of salaries and fringe benefits. It was a nation-wide strike of the Academic Staff Union of Universities in 1982 that forestalled this situation, at least at the federal level. But, even then, many state governments were adamant in implementing the salary review in their universities (ASUU, 1987).

To ease the burden on it, the Federal Government practically withdrew from the funding of the primary and secondary educational institutions. The state governments in turn transferred most of the financial responsibility of primary schools to local governments. In the end, therefore, the situation at the primary and secondary levels became patently worse than that of the universities. Thus, the slipshod implementing of the National Policy. On top of this, crushing personnel and overhead costs left many

teachers without pay for months and many schools were barely better than cowsheds. Lagos State in fact adopted a policy which upheld substandard physical conditions as a rational cost-saving device. In the same vein, all the western states operating the free-education policy guaranteed automatic promotion for all pupils irrespective of performance. This seemed the most rational way to avoid duplication of cost. But it amounted to a great deal of waste in the face of poor school standards.

As basic educational facilities became harder and harder to come by in schools, the morale of teachers and school workers fell. By December 1983, when the Second Republic experiment came to an end, some state governments were in arrears of between three to six months of teachers' salaries. There is no disputing the fact that quality was sacrificed in this circumstance; political calculations had ultimately confronted economic realities.

### 5.3 The Era of Draconian Policies

The military returned to power at the beginning of 1984. It inherited not just the problems already catalogued; it also faced an economic condition that had further worsened. One of the first major tasks of the new Buhari regime was to awaken the people to the waste and mismanagement of the defunct administration. But more importantly, and following on this, the military regime had to devise a proper strategy to ameliorate the situation in the educational sector. As it turned out, the government lacked any such rational and systematic solution. Instead, it assumed a draconian posture and tried to force every desire it had on the people.

Immediately the regime assumed office, state governors were mandated to clear all salary arrears within three months. But this remained unresolved after the deadline. In fact, it remained so until 1985, when the government was overthrown.

In the meantime, as Table 24 shows, enrolments remained on the high side. The government resorted to the merging of schools or refused to establish new ones in response to any additional increase in enrolment. Thus, for instance, the total number of secondary schools in the federation fell from 38,211 in 1983/84 to 35,281 in 1984/85. Similarly, the Federal Government scrapped the Open University. There was also an administrative change which brought Science and Technology under the ambit of the Ministry of Education.

The other emergency cost-saving device was the retrenchment of teachers. Suddenly, experience, which used to be a virtue, became a curse. In spite of the social inconvenience this created, it has virtually remained an enduring feature of Nigeria's educational system.

Even with these emergency measures, in 1984 about 15% of the national budget had still to be spent on education. The government consequently resorted to a more aggressive policy to involve parents and the private sector in the funding of education. This was how levies and fees, severely condemned by a 1984 release of ASUU, became a major feature of the education industry (ASUU, 1984). The government simply made it clear that all forms of lavish government subsidies were now things of the past. At the post-secondary school level, the government also withdrew entirely from students' feeding arrangements as private vendors were asked to take over.

While it is true that more private schools (but not universities) sprang up to help lessen the burden on government, the military government pursued policies which were rather harsh and in sharp contrast to what the people had been used to in the

preceding regime. The architects of the coup which ousted the Buhari government said as much when they effected a change in August 1985.

## **5.4 The Structural Adjustment Programme**

The contribution of the current Babangida administration to Nigerian education since 1985 is not so much one of an end to the hardship inflicted by the Buhari regime, but a determined effort to locate the sector in an integrated economic reform package. As noted in previous sections, Nigeria formally adopted the Structural Adjustment Programme (SAP) in 1986 with the three-pronged objectives of economic reconstruction, social justice and self-reliance. We discuss below the effort to reconcile education with these objectives.

### **5.4.1 Privatization of the Sector**

There has been a clear and definite attempt to retain the private sector's involvement in education initiated by the Buhari government. In fact, there is a philosophical foundation to this in the free market orientation of SAP. At the university level, for example, the government has given particular support to endowment programmes. All of the six oldest universities now have one endowment programme or another. In at least four, namely Lagos, Ibadan, Zaria and Nsukka, private individuals have been encouraged to launch special professorial chairs. As part of the fund raising activities for the establishment of a new Oyo State University of Technology, a number of private initiatives have also been mobilised to contribute directly to funding universities. In fact, a single Nigerian donated about N11 million to the universities in March 1990 (*Sunday Tribune*, 18.3.90).

These efforts are being vigorously complemented with consultancy activities. All the oldest universities have central consultancy units. While it may appear that government has itself not sufficiently patronised these units, it does seem that the most serious constraint of these units is their centralised structures which, as happens in Ife, gives individual departments little autonomy to market their competence. In spite of these attempts to increase the non-government funding of universities, the Federal Government has not shown any willingness to reconsider its stand on private universities or the non-charging of tuition fees in universities.

### **5.4.2 Contraction of Government Services**

The Federal Government's education policy has also maintained some of the cost-saving devices initiated by the Buhari regime. Retrenchment and compulsory retirement after 30–35 years of service have continued. But programmes for retraining teachers are also being terminated (*The Guardian*, 20.9.90). Furthermore, the government is being very circumspect in the establishment of new educational institutions. With regards to the establishment of new institutions, there is evident caution. But at the tertiary level, which indeed is most conspicuous, a measure of contradiction has been displayed. In the first place, the Federal Government has assumed a monopoly of decision-making contrary to the provisions of the constitution and even SAP's logic. Secondly (as in the case of the new Oyo State University), the Federal Government has not been able to check further proliferation of higher educational institutions.

In 1985, it was decided that a number of the Universities of Technology established by the Shagari administration be merged. As a result, their number was reduced to four, but in 1987 the Federal Government restored two to full-fledged specialised Universities of Agriculture. The Federal Government justifies these new universities on grounds of the prevailing demands for stronger attention to rural and agricultural development. Indeed, it has for this reason brought the institution under the direct financial control of the Federal Ministry of Agriculture. In total contradiction to this reasoning, however, a conventional-type university has also been set up at Abuja.

#### ***5.4.3 Improvement of Conditions of Work and Morale***

Some measure of attention has been paid to the morale of teachers and workers. The problem of long arrears of salaries seems to have been definitively resolved. The issue of incentives has been differently tackled, largely because most of the people are affected by varying state policies. But it is still quite common for primary and secondary school teachers to remain unpromoted for years. Of course, as is the fate of other public employees, most states have virtually suspended such fringe benefits as the granting of loan for the purchase of vehicles. The situation in Lagos, Oyo and Ogun states is even more ridiculous. On grounds of poor finances, these states have refused to implement nation-wide reviews of fringe benefits such as the meal subsidy.

It is noteworthy that the Federal Government thought it fit to sponsor a nation-wide public service review of salaries and fringe benefits in 1988. Teachers have benefited from this in full at the federal level. But there have been widespread complaints among different levels of workers. For instance, it is claimed is that the new salary structure places a premium on years of experience to the detriment of merit and hard work. Expectedly, it is at the university-level that these negative effects are most felt. In the first place, the new salaries have escalated the running cost of the universities. And as the government has not responded commensurately, more and more universities have had to spend their already depleted votes for physical maintenance and research facilities on personnel emoluments. The overall result is that the research and teaching conditions of the universities have barely improved from that of the pre-SAP era. Needless to say, this situation is contrary to the expectations of SAP.

In addition to these, other factors have heightened the frustration of university teachers. Their union was proscribed in 1988 and thus lost the common forum through which they advocated changes and sought to influence positive response from government. This ban was lifted in August 1990. In 1988, the government also demystified the pre-eminence of the university by extending the same salary conditions to Colleges of Education and Polytechnics. While it is possible to see this as a boost on the morale of staffers in these institutions, the decision has further promoted the impression that very little value is being placed on the research aspect of the university system. Evidently, with the already poor working conditions, not much incentive for research exists in the universities. Arguably, too, this situation is directly correlated with the brain drain problem which, by the government's own account, has worsened since the adoption of SAP (Ayeni, forthcoming).

### **5.3.4 Management of Student Unrest**

It is not only university teachers that have been made restless by the military government's policy measures. Students, too, have in recent times become quite vocal. Nigerians have lost count of the magnitude and frequency of student unrest since the economic recession. But each one has been more volatile and destructive than the previous ones. And once started in any campus, they spread with rapidity to other institutions.

The most recent of these unrests took place in June 1989 against SAP. It was devastating in its effect. In response, the government hurriedly announced a relief package which has affected all sectors. With respect to education, all governments have been compelled to fill all teaching vacancies not just to enable these institutions function at full capacity, but more importantly, to create additional employment opportunities. Also, all state governments have been compelled to establish bursary programmes for their indigenes. But while that for university students has commenced, polytechnic students are yet to enjoy the benefit in many places. At the same time, the President promised in 1989 to directly supervise an investigation into the problems of university students. It now seems that the President's promise was a ploy by the Federal Government; the investigation promised is still to be undertaken.

The paradox of student unrest is that they invariably worsen the already bad state of the educational sector. Dwindling institutional facilities are usually vandalised. And worse still, academic schedules have become very uncertain and often severely shortened to accommodate the long closure of institutions. Even more worrisome is that teachers at the lower educational levels are almost entirely drawn from this confused higher educational system. Perhaps the greatest concern that should be expressed is that a culture of unrest and vandalism is fast taking root in the system. And as the 1989 unrests revealed, even secondary and primary school pupils are catching up with this habit.

### **5.4.5 Special Budgetary Provisions**

Another policy response of government to the educational sector is a special budgetary provision. This allocation has been directed at recognised crisis areas. Thus, in 1986, an Economic Rehabilitation and Recovery Fund was provided for overall revitalisation in the sense of "the rehabilitation of universities, grants to educationally disadvantaged states, funds for the provision of science equipment, women's education, education of gifted, reactivation of the Federal Scholarship Board and the Students Loan Scheme" (Budget, 1987).

The emphasis in 1987 was on the rehabilitation of the Federal Polytechnics and Colleges of Education, while in the 1989 budget focus was on primary school education. Indeed a Primary School Education Fund as well as a Commission have been established by Decree 31 of 1988. All governments in the country (federal, state and local) now make financial inputs into the financing of primary education, with the Federal Government providing the largest share of 65% of primary school teachers' salaries. The Fund will ease the local governments' crushing burden of primary educational funding and thereby make them more capable of promoting other pressing areas of local level development.

However, recent reports indicate that all the three levels have not fulfilled their individual obligations for sharing the funding of education under this Decree (*The Guardian* 10.9.90 p. 3). In a sudden turn-around on the issue, the funding of primary schools was returned to local governments in the 1991 Presidential Budget speech.

Closely related to the above is the promotion of special but hitherto neglected areas of education. These are notably women's education, nomadic education and education of gifted children. However, the whole idea and implementation of the last two have been subjects of much controversy, more so because the actual effects have been difficult to demonstrate. One major effect of these ameliorative measures has been to increase federal allocations to the education sector (see Table 18).

#### **5.4.6 Teaching Materials and Facilities**

The military government has tried to encourage the full implementation of the National Policy on Education. But the procurement of relevant technical facilities remains a problem. Several schools, especially in the rural areas, are said to be running the 6-3-3-4 programme more or less without regard to emphasis on technical and vocational training. The problem of teaching materials has been further compounded in the post-SAP period by the rising cost of paper and printing materials, which in turn has caused a severe scarcity of text-books. The Federal Ministry of Education has since 1989 also pursued some marginal rescue operations through a special grant to the National Educational Research Council to directly supervise the production and purchase of basic textbooks. Similar steps have been taken in regard to school equipments with the establishment of an industry for that purpose in Anambra State.

#### **5.4.7 Quality Development at the Tertiary Level**

A number of diverse actions have also been taken to enhance the overall quality of teaching and research at the tertiary level. These are essentially complementary to the rather panicky responses to student crises. But the paradox is that some of the measures have themselves sparked off student protest.

The Federal Government's announcement in 1988 to accept a loan of about N750 million from the World Bank is perhaps the most notable of these measures. The proposal was to use the loan to purchase library materials, refurbish laboratory facilities and acquire a diverse range of new teaching and research materials. However, the National Universities Commission proposed a number of compulsory conditionalities which universities had to fulfil in order to benefit from the loan facilities. The most important ones were reduction in the staffing situation in conformity with the relevant guidelines and accreditation of all programmes.

Expectedly, these conditionalities did not go down well with critical interest groups in the universities. Consequently there were vigorous protests nationwide against the entire loan idea. The World Bank itself was quite embarrassed by this situation, and it has encouraged the Federal Government to suspend actions until a more favourable atmosphere exists. But in the meantime, the NUC has gone ahead with the implementation of several of its conditionalities.

Whatever the advantages of the implementation of these conditionalities, and there is no doubt that there are some, the resulting centralisation of the tertiary education system has become a real embarrassment. The different educational

systems are being made to stick to certain national standards that do not often reflect the local peculiarities that the institutions need to take account of at this time.

#### **5.4.8 Administrative Responses**

The next policy area is the administrative arrangement for the pursuit of all the objectives that have been discussed. The Ministries of Education remain at the centre of education management. This has made SAP's inclination towards decentralised operations somewhat imperceptible. Indeed, as a state civil servant has noted, "although our country's constitution has indicated that local government should manage primary education, it is not being managed by the local governments ... [but] centrally by the Ministry of Education" (Malomo, 1986). Decree 31 of 1988, which establishes the various agencies for managing primary education nationally, has not changed matters much in this respect. This centralist posture also appears to have caught on even with nonministerial agencies. For example, over the years, the National Universities Commission has assumed more and more powers with the result that the universities today possess little autonomy. The situation is most disheartening in regards to academic matters, an area in which the NUC now feels free to dictate to the universities (Views on Visitation Panel Reports of University of Ibadan and Obafemi Awolowo University, 1989).

All the same, the present administration deserves commendation for instituting some policies in response to the management expectations of the time. But this is in no way restricted to the educational sector. The general framework is the civil service reform discussed earlier in this monograph. All government educational establishments are being reconciled to the provisions. A significant point that flows from this is the fact that all the governments of the federation are expected to run their education programmes under an identical structure, although one must expect more variations when civilians assume power fully in 1992.

By the new reforms, the Federal Ministry of Education, for example, has been reorganised into the following eight departments, namely primary and secondary education; technical and science education; higher education; inspectorate; planning, research and statistics; educational support service; personnel administration; and finance and supply. As in other ministries, the office of the minister also consists of three key units, namely policy, legal and audit.

Another notable feature of the reform is the emphasis far more than before on staff training and development. This is one aspect which the World Bank, in one of its reports, has identified as a priority area to ensure improvement (World Development Report 1983). For instance, a senior official of the Federal Ministry of Education interviewed did not see any particular new training programmes that have resulted from the reforms in the ministry. On-going training activities are essentially those that have always been undertaken so, beyond theoretical expectations, the overall effect of the reforms, as has been pointed out, remains hazy. What is more, the implementation of the reforms has become increasingly demanding, financially and otherwise. This reality seems to be retarding the expected momentum of the implementation process.

# 6

## Steel Technology Development

### 6.1 Introduction

Our final choice for case study is the development of steel technology in Nigeria. The logic of structural adjustment is that countries will focus their energies on areas of their comparative advantage. For African countries, this means agriculture; but one of the major dilemmas is that very many African countries are convinced of the necessity of some form of diversification into industrialisation as well.

The development of an iron and steel industry has for long been regarded as *sine qua non* of the realisation of these hopes. There were in fact four major justifications for an iron and steel project in Nigeria. The most obvious was the need for industrial self-reliance and diversification of the economy. A second justification was that it would generate intersectoral linkages within the economy. Thirdly, there was the hope of satisfying not only the domestic market but also tapping the resource and market potentials of the West African region with respect to steel. Finally, the possession of a steel factory was regarded as strategic for the economic development of other sectors of the economy, as well as from the point of view of military and political power calculations.

The desire to own a steel industry predates the independence period. The first market survey on the steel sub-sector was undertaken in 1958. Various proposals were received on the feasibility of establishing steel plants in Nigeria during the First Republic (1960–1966). It was not, however, until the advent of military rule and the oil boom that the project was commissioned in 1971 with the establishment of the National Steel Development Authority. Even then, progress was slow because of the tremendous amount of resources (manpower, technology, finance capital) required. Most of the steel projects were realised only during the Fourth National Development Plan (1981–85). It is paradoxical that, even during the period of windfalls from oil, very little progress was made. On the other hand, much has been achieved in the times of economic hardship.

Today, the Nigerian steel industry is dominated by the public sector, with two integrated steel complexes (at Delta and Ajaokuta), and three satellite Inland Rolling Mills (located at Oshogbo, Jos and Katsina). These public steel companies have crude steel capacity of 1 million tons and a rolling capacity of 2 million tons. In addition, there are 15 private steel companies located in different parts of Nigeria with a rolling capacity of 1.2 million tons of steel and an estimated capacity for 245,000 tons of crude steel (see Table 24).

The dwindling real revenues available to the Federal Government and the heavy financial demand of the sub-sector make a study of the developments in this sub-sector especially interesting.

## 6.2 The Politics and Economics of the Steel Industry

Nigeria's approach to steel development is founded on the importation of foreign technology, the conviction being that the nation's indigenous technology is useless in the rapid implementation of such a massive programme. Both from the viewpoint of the international politics involved in this strategy of adopting foreign technology, and the massive diversified investments required, a strong public sector presence became inevitable. One can thus understand why every imaginable interest would have sought to maximise its gain in the main project, the complementarities and the enormous social fallouts that it generates.

Table 24. Nigerian Steel Industry at a Glance (In '000 tons)

Company	Crude Steel Capacity	Crude Steel Production 1987	Rolling Capacity	Rolled Production 1987	Steel Utilisation 1987	% 1989
Delta Steel Company Aladja	1,000	136.5	320	53.7	16.8	13.9
Ajaokuta Steel Company Ltd.	—		1,090	27.4	2.5	3.6
Katsina Rolling Mill	—		210	32.0	15.2	11.8
Jos Rolling Mill			210	20.4	9.7	12
Osogbo Rolling Mill			210	38.8	18.5	9.6
Total Public	1,000		2,020	172.4	12.5	10.2
Total Private	245	98	1,241	133.2	10.7	n.a
Total (Nigeria)	1,245	341	3,261	305.6	9.3	n.a

Source: Federal Ministry of Mines, Power and Steel of Nigeria, *Final Report: Steel Subsector Study In Nigeria* January 1989, pp. 3–11, and Central Bank of Nigeria, *Annual Reports* for 1988 and 1989

This politicisation problem caught on with the project rather early in its conception. Thus, at the time when the most rational and objective decision calculations were imperative, political thinking held sway. It is remarkable that no significant progress was made until 1970. This extensive inaction was largely due to squabbles among Nigerian politicians on key issues such as the location of the plants and the technical partners and contractors to execute the construction works. The situation was made worse by the unwillingness of the developed countries, especially the West, to contribute to the project.

The effects of both of these problems have lasted to this day. The decision on the location was settled to please diverse geographical interests, to the detriment of the

efficient operation of the steel industry. Nigeria's choice in terms of technological transfer was severely limited by the West's posture, and this in turn constrained its power to bargain for what was most suitable to it. As it turned out, the Soviet Union was the major power really willing to help build the industry. Nigeria's acceptance of this situation meant that the steel project was subjected to the vicissitudes of Nigerian-Soviet relations, and relations with the Western world.

In 1970, Nigeria took her first major step in the steel development process by signing a contract with Technoexport of the USSR for a comprehensive geological survey of the country, whose objective was to locate suitable raw materials for the industry. This step was followed, as noted earlier, by the establishment of the Nigerian Steel Development Authority in 1971. It is noteworthy that these two significant developments took place under the military and after the civil war. This fact attests to the importance of a conducive political atmosphere. All the same, besides the fact that Nigeria made new discoveries of iron ore and coal, no other significant development took place until 1979.

It would appear that the oil wealth of Nigeria in the latter part of the first military era caused another major lag in the steel development process. This is undoubtedly a paradox. The neglect of the steel industry this time around was at a time when the nation was most economically well placed and her political situation very attractive. It is difficult to conclude from this that even the military leadership lacked foresight with regard to the steel sector.

When the civilians took over power in 1979, the Nigerian economy was already witnessing its first major down-turn. It seems quite correct, then, to describe Nigeria's experience as one of "steel development in economic recession". Even then, none of the five political parties which contested for power in 1979 made specific mention of steel development in its manifesto. This indicates the state of neglect of the sector. It also suggests that the attitude of the politicians of the Second Republic to steel was not predetermined. It must indeed have been the exigencies of the time that changed the progress of work on the steel project after 1979. Of course, the Federal Government of the National Party of Nigeria (NPN) also saw itself gaining a lot of political points by the resuscitation of a critical sector which successive administrations had more or less ignored.

Given the widespread corruption of the Second Republic's politicians, some observers have argued that the steel policy of Shagari was anything but responsible. The contention here is that the Second Republic's politicians were more interested in the selfish gains they derived from the sector than in its actual development. There are certainly some grounds to justify this position.

But politics aside, the evidence is that the Federal Government of the Second Republic did not only pump a lot of money into the steel sector; it backed this up management-wise by pioneering the establishment of a separate Ministry for Steel Development. No doubt, some achievements resulted from this experience. And while it would appear doubtful that the real achievements made are proportional to the huge sums expended, one must still concede that the period marked a major turning point in terms of the attention the steel sector has received since then.

By the time the Second Republic came to an end in 1983, the Federal Government had commissioned the rolling mills in Katsina, Jos and Oshogbo as well as the Delta direct reduction complex. The actual construction work on the Ajaokuta steel project also commenced during this period. The military administration of General Buhari

picked up from here with some commitment to continue progress in the sector. However, the regime's pre-occupation with cleaning up the messy parts of its inheritance, together with its short span of life, prevented anything of significance in the steel sector during the era.

The Babangida government, successor to the Buhari administration, has consistently maintained Nigeria's commitment to the steel sector. In fact, the attitude of his regime has been even more disposed to the sector, following the adoption of the Structural Adjustment Programme. At least two of the main pillars of SAP, namely self-reliance and diversification, suggest that steel development should be a priority area. Accordingly, the aim of the government is to speed up the completion of the project and use it as a catalyst in the development of the export potential of the non-oil sectors as well as in reducing Nigeria's importation of steel and steel products. Indeed, according to the policy document on Nigeria's Structural Adjustment Programme (SAP), the steel sector was one of the priority sectors that was to continue enjoying capital funding in spite of resource scarcity.

However, in regard to the latter objective, the Babangida government has come against a major problem. SAP's emphasis is on efficiency through the play of market forces. It, therefore, advocates trade liberalisation such that the economy can be forced to function in areas where it is most efficient. As we shall see below, the steel project can hardly be judged efficient by this criterion. Thus the administration has found itself increasingly under the pressure of a choice between efficiency and political self-reliance. The situation came to a head with the World Bank's recommendation that Nigeria discontinue the steel project. The government's subsequent reaction seems to make it clear that Nigeria is prepared to sacrifice economic efficiency for whatever political gains it can derive from being self-reliant in steel.

### 6.3 Politics of Design

One of the major problems which has confronted the industry is that of plant design. The shape of the master-plan for the steel industry became concretised during this period. It is difficult, as noted above, to appreciate the concrete achievements of the sector outside the politics and evolution of this operational framework. It is also important to underscore the point that the role of subsequent military regimes in the sector since 1983 (when the Second Republic was terminated) has had to be defined in accordance with the demands and realities of the design inherited.

The details of the politics of design are not necessary here; just a few points will suffice. Nigeria's original intention was in the direction of simply establishing rolling mills. But, with the increased awareness of the availability of iron ores and coal in the country as well as the decision to construct the hydro-electric dam at Kainji, interest also shifted to the establishment of an integrated iron and steel plant. In addition, however, the issue of the quality and usability of Nigeria's mineral deposits loomed large in the design of the various steel plants.

The other important point to make is the very influential role which Nigeria's foreign partners have played in the development process. The decision to import foreign steel technology, as noted earlier, constrained the nation's bargaining position. This was further compounded by the language and cultural differences between Nigeria and the Soviets, the main partners. The additional fact that Nigeria's indigenous expertise was barely involved at the initial decision stages put the nation

in grave ignorance of what was being transferred. Even where there was some knowledge, the poor data system gave the planners a distorted picture of the market situation.

The effort to minimise the external dependency of the sector by diversifying foreign partners has also not paid off as expected. In fact, the present situation has complicated the diplomatic issues involved in the steel development process. The on-going construction work at the Ajaokuta Complex brings this point out well. At the moment, there are about three countries involved in the construction. A Russian firm, Messrs Tiajpromexport (TPE) is handling the technical aspect, while the French and West Germans are undertaking the civil works. An Indian firm is responsible for technical co-ordination and supervision. We must, of course, not forget that the steel industry is being built largely from foreign, essentially Western loans. This makes Western finance agencies the fifth major foreign participant in the sector.

This diverse combination of foreign nationalities has brought together strange bedfellows. And given the country's weak economic and technological base, there has been a lack of capacity to play these different interests in Nigeria's clear favour. Nigeria's foreign policy stance has not helped things either. In the end, Nigeria is unable to endear herself to the Russians, who think all that should be done is to reciprocate the lip-service with which it takes its relations with the eastern bloc. Yet, on the other hand, the Western countries, to whom Nigeria has traditionally been more aligned, remain unenthusiastic because the steel project threatens their continued export of steel to Nigeria and the West African sub-region. The fifteen countries which supplied the 407,600 tonnes of steel products to Nigeria were: Belgium-Luxembourg, France, West Germany, Italy, Netherlands, Spain, United Kingdom, Austria, Sweden, Canada, USA, Brazil, Japan, South Korea and Australia. We are not over-stretching issues if we suggest that the involvement of some of these countries in the Nigerian steel industry has afforded them direct means to determine the fate of Nigeria's steel dream.

Nigeria's problems would have been a lot easier to solve if they had been limited to external relations. Perhaps the most significant variable in the design of the steel industry is the culture of political patronage and corruption that has always pervaded the industry. As a former Minister of Steel Development lamented "The people whom you selected to do the job for us and the ones we sent to represent Nigeria's interest connived and dumped us into where we are now". He went farther, in a quite angry tone, to lash at the decision of his predecessors in dispersing the three steel rolling mills thus compounding the problems of logistics of the steel industry.

The sum of all these is that Nigeria's steel industry today is inherently inefficient in many respects. The total costs of construction, maintenance and operation are unreasonably high. Several identical plants have been constructed all over the country whereas, as a perceptive observer has said, the economics of scale should have been maximised. The most disheartening point is that some critical aspects of Nigeria's steel needs cannot be met with the designs that presently exist.

The attempt to make the different plants interdependent, coupled with the heavy import requirements of the industry, has created a huge burden of meeting several infrastructural needs. Transportation and energy supply are two of the most critical of these complements.

#### 6.4 Economic Crisis and the Problems of Funding and Management

One rationale for the renewed importance which the steel sector has received since about 1980 is the notion that this is one industry which, if successfully developed, might assist in the long-run transformation of the economy and national economic recovery in the short run by reducing the nation's steel imports. But most of the problems highlighted in the earlier section of this paper do not derive directly from the economic crisis or SAP. Rather they bring out the manner in which socio-political factors interact with economic variables. The issue now is the most feasible management strategies that can realise the expectations of Nigeria in the face of the enormous socio-political and economic difficulties that beset the sector. We face the predicament that the SAP situation has created; yet it is reasonable to expect that whatever strategy is adopted in the steel sector cannot be totally out of tune with the mood in other sectors of the economy.

With these comments in view, let us now examine the administrative responses to the steel sector since about 1980. It is possible to divide these responses into seven broad forms.

First, there is the recognition that the sector deserves priority attention in spite of the economic crunch. As earlier noted, the SAP document regards the iron and steel industry as a core project which will continue to be funded under the Federal Government's limited capital programmes (see Table 26 for a comparison with other major core sectors). In reality, a lot of investment has been made in this sector by the Federal Government, often with domestic and external loan financing. The Ajaokuta project alone is estimated to have absorbed N15 billion (at pre-SAP exchange rate level).

The second significant point, however, is that even this relatively high funding level has proved inadequate for an industry which is highly capital-intensive, and is dependent almost wholly on foreign technology, expatriate direction and even raw materials sourcing. These problems have been compounded by the fact of devaluation and - the need to pay for inputs in hard currency. This has resulted in a situation in which most of the projects remain uncompleted, plants operate far below their capacity and have continued to incur heavy losses (see Table 25 on the level of low capacity utilisation). The level of capacity utilisation has progressively fallen over the years, and the Central Bank of Nigeria's *Annual Report for 1989* (p. 36) captured the situation in the steel sector fairly comprehensively when it noted:

With a few exceptions, the performance of government core industrial projects showed no marked improvements in 1989. The rate of capacity utilisation was very low and operational losses continued to mount...

(With respect to the steel plants), construction work remained suspended on the first phase of the Ajaokuta Steel Complex at the over 80% completion state it had reached a couple of years ago as a result of lack of funding by the Federal Government ... [Also] construction work had been suspended since June 1988 on Itakpe iron ore project from which the Ajaokuta Steel Complex is expected to source its iron ore requirements due to non settlement of debts owed to civil contractors ...

The perennial problem of inadequate supply and high cost of billets, their major input, from Delta Steel Company (DSC) Aladja was further compounded by two other factors in 1989. The one was the sharp rise in gas and electricity tariffs, and the other was what

Table 25. Expected Capital Allocations to Some Priority Areas Under SAP

Sector	1986	1987	1988	1989
Rural Development	491,540,924	70,499,930	98,288,000	107,125,000
Petroleum and Energy	400,000,000	104,317,980	402,000,000	200,000,000
Health	81,200,000	69,545,320	183,234,000	126,000,000
Education	442,047,000	139,090,640	281,800,000	221,888,000
Steel	357,789,842	104,317,980	224,490,000	150,000,000

Source: Federal Republic of Nigeria, *Structural Adjustment Programme 1986-1988*, Lagos, Government Printer

the rolling mills described as the liberal import policy on steel projects such that the imported product was cheaper per tone than the rate at which the mills obtained a ton of billet from DSC ...

The steel industry is thus confronted with fresh problems arising directly or indirectly from SAP— high cost of imported billets, higher gas and electricity tariff, relatively cheaper imports of inputs for private steel industries and consequent low capacity utilisation in the face of rising demands for steel products. As a result, the industry has continued to incur very heavy losses for the Federal Government on an annual basis and the staff though small (5,371 and 6,465 at Ajaokuta and DSC, respectively in 1988), remain unemployed for long periods of the year. In spite of this, some progress has been made during the period. The 55km standard rail line linking Itakpe mines with Ajaokuta and 2,700 of the 10,000 housing units complex at Ajaokuta have been completed. DSC also made some export sales valued at \$432,035 in 1987. Finally, the Nigerian Machine Tools industry in Osogbo has continued to be a mild success story with a 1988 pre-tax profit of over N1 million.

A third major feature of the steel industry during the period has been the challenge of selecting the most effective option for managing the industry. The World Bank in 1988 advised the Nigerian Federal Government to either fully privatize the steel sector or liquidate it, considering the country's dwindling resource levels, the continuous losses from the industry and the possibility that the private sector can better meet Nigeria's needs for steel. The Federal Government has however rejected this option and has chosen instead to fully commercialize DSC, privatize the rolling mills partially with a ceiling of 40% equity participation by the Federal Government, while leaving the Ajaokuta company fully under Federal Government control and management.

It seems one major reason that the government chose to commercialize/or partially privatize rather than fully privatize them is the desire to continue to protect the steel industry from external competition. An instance of the point being made is the 1989 ministerial directive to all the rolling mills to purchase all their billet needs from the Delta Complex, irrespective of cost. The indication was that mills were going for cheaper imported billets.

As for the supervising ministry, the effect of the new civil service reforms is already evident in the fact that a separate steel department has been established. Other complications of the reforms, such as in the area of training, equally apply to it. We shall return to this issue of training below.

A fourth issue is the challenge of containing waste, fraud and corruption. As a perceptive observer noted recently, "a good percentage of the nearly N5 billion already sunk in Ajaokuta, no doubt, has turned many people associated with the project into millionaires". The steel industry as a whole has been a drain pipe. Most of these have come about through fraudulent contract awards, outright stealing and incompetence. For example, there has been so much stealing that an observer concluded that "Nigerians would launch into national mourning was the details revealed in full". For example, between January and February 1989 alone, the Russians claimed that equipment worth N363,881.00 was stolen from their site. Similarly, just between September and October 1988, 39 cases of theft were recorded at the plant.

The attitude of the government is to take this fourth problem together with the larger issue of management. Hence, a great deal of the solution is seen to lie in the successful implementation of the commercialization programme. However, while one would not disparage this important dimension, it is also important to stress the need to look beyond the free market mechanism for effective control of activities at the plants. This is one point that has clearly come out from the foregoing discussion.

A lot of premium must still be paid to leadership and political will, especially at the ministerial level. The inability or unwillingness of successive leaderships to take necessary action or even implement technical reports can be held responsible for the prevailing state of the steel plants.

Fifthly, there is the issue of manpower development and training. The skills needed for the industry are enormous. According to one estimate made in the 1970s, Delta Steel Plant alone in full operation needs about 5,000 engineers and technicians while all the plants together would need about 30,000. The total personnel requirement in the sector by 1990 has been estimated at about 100,000.

Three main strategies have been adopted in dealing with this training problem. One, universities and higher educational institutions have on their own or with government encouragement introduced relevant programmes in mechanical and metallurgical engineering. The University of Ife (now Obafemi Awolowo University) pioneered this effort in 1976. Two, a measure of training has been mounted abroad, notably in USSR, India, France, Italy, Australia, and West Germany. The agreement with the Russians and with almost all other foreign partners provides for a mechanism of technology transfer, and training is an important component of this. Three, special training institutions for the sector have been established. The notable ones are the Metallurgical Training Centres at the steel plants and at Onitsha.

Taken together, this combination of strategies has somewhat paid off. For example, by the end of the Second Republic, the Nigerian-expatriate personnel ratio in the production sector of the Delta Plant had reached a creditable 55 to 1. However, the training of staff in different sociocultural settings has its problems, as we have seen with the conflicting roles of diverse nationalities in the steel sector as a whole. The other problem that may be raised is the increasing rise of graduate unemployment even in steel-related professions. Evidently this situation is a kind of disincentive for those who would ordinarily be interested in the area.

In the long run, we may find a marked shortfall in the projected personnel requirement of the sector. The situation may become quite problematic when the steel industry gets really pressed for supplies. To contain these outcomes, there is a pressing need to expand the employment opportunities in the sector. Of course, only real progress in the industry can bring this about.

The final point to make about the management of Nigeria's steel industry is the role of economic diplomacy. The significance of this derives clearly from the international dimension already discussed. Economic diplomacy is generally a new area of emphasis in Nigeria's external affairs. Its essence in the steel sector is to make other countries, specially those of the West, more disposed to the steel development effort.

At the various times that some of the contractors involved in the Ajaokuta project have withdrawn because of Nigeria's inability to meet its financial obligation, resort has been made to vigorous diplomatic activities. In a recent case involving a French firm, the French government was successfully involved and had to make an undertaking on behalf of the Nigerian government. Perhaps the most useful feature of Nigeria's economic diplomacy is the many successes that have been recorded in strengthening its financial position. In September 1989, the Nigerian press reported a breakthrough in negotiations for a N200 million syndicate loan for the sector.

#### 6.4 Conclusion

All told, we cannot dispute the fact that the economic crisis has brought more attention to the steel sector. But the effort to make more prominent use of the sector is being strongly constrained, not only by the poor financial position resulting from the crisis but also, and perhaps even more, by several socio-political problems that have been with the project ever since its conception. In a way, the economic crisis has compounded the effort to contain the non-economic problems of the sector. However, one cannot fail to acknowledge that the present administration demonstrates a measure of sincerity in bringing the entire situation under control. In this regard, the administration is a clear improvement on all its predecessors.

Looking through the different strategies adopted in the sector, we come to the conclusion that the prevailing situation does not allow for rational economic responses. There is a strong political dimension to all that is being done in the sector. The government still needs to properly systematise these responses and ensure that they are reconciled as best as possible with the overall commitment to SAP.

In spite of fallouts in other areas (especially in transportation), the total performance of the steel industry remains generally poor. The real targets of the present programme are yet to be met with regard to steel. Even if the nation succeeds in this endeavour, we have observed that some other critical steel needs may not be realisable with the present policy. It is considerations such as this, together with the problems of corruption, highly politicised mismanagement of the project and the limited market profile, which prompted the World Bank to advise that Nigeria should either abandon the project or privatize it.

The problem, however, is that a lot of resources have already been sunk in this project and the Federal Government of Nigeria reasons that there are few Nigerians who have either the motivation or resources to sustain the country's dream of having its own steel industry. The development of the steel industry under Nigeria's economic conditions is a good illustration of one of the important dilemmas in the implementation

of Structural Adjustment policies in Africa, especially in terms of the struggle to build the infrastructure for industrial development in a continent that is so technologically and industrially backward. Other major industrial projects which the Federal Government of Nigeria regards as "core projects" in its SAP document (such as the fertilizer, paper, petrochemical, liquefied natural gas and oil refinery plants) have **faced** similar problems during the period.

# 7

## Summary and Conclusion

This study has attempted to highlight the impact of the economic crisis and the economic policy responses addressed to this crisis on the Nigerian Public Administration System (PAS). Aspects of the PAS which were examined in the study include the scope, structure, processes, resources and productivity level of public service organizations. The study is organized in two parts.

The first part (sections 1–3) includes a cursory overview of the characteristics of the Nigerian economic crisis during the 1980s and a general survey of the impact of the crisis on the Nigerian public service. The second part (sections 4–6) contains specific case studies aimed at highlighting the peculiarities of the selected sectors.

As seen in the overview, the Nigerian economic crisis since 1980 has been a profound one, a crisis that has been further complicated by economic mismanagement, political instability and especially long years of military rule. This has manifested itself in the slow growth of output in almost all sectors of the economy, a deep foreign exchange crisis, rising unemployment, rising inflation, a rising cost of living, deteriorating standards of living, and a heavy debt-servicing burden. These problems prompted the adoption of a programme of economic recovery called the Structural Adjustment Programmes (SAP), launched in July 1986, which placed emphasis on reliance on market forces. The implementation of SAP has led to some gains for the economy as a whole and for the PAS in particular. However, arising from the high social costs of the SAP, further intervention by government is taking place, which underscores government's dilemma about the direction to take in a situation where the shortage of financial resources becomes the compelling factor in economic policy and administrative responses. It will be interesting to find out, for instance, whether the windfall from oil as a result of the Gulf Crisis, which has shot up the price of oil from \$17 to \$38 since August 1990, will result in any profound policy changes.

The study of the impact of the crisis on the Nigerian public administration system revealed that generally there has been a contraction of the Nigerian public sector. Also there have been some readjustment of expenditure patterns and a number of inconsistencies in the manner in which the Nigerian public sector has reacted to the crisis. Besides leading to the rationalization of the public sector and the initiation of a process of decentralizing the public administration system, clear-cut policy statements and action programmes have been developed for a number of sectors: agriculture, industrialisation, population, health, education, housing and parastatals.

These points were demonstrated more clearly in the case studies. The parastatals sector, for instance, shows that the crisis has led to some significant changes in the principles and practices of public enterprise organization and management in the country.

However, the philosophy of reducing the scope of government and redefining its role has not been too doggedly implemented in practice, with the result that, despite the hue and cry about privatization and commercialization, progress has been slow. For instance, only 20 out of 110 enterprises have been privatized after three years and

in fact a few new public enterprises have been created. Moreover, a variety of strategies have been adopted by the state governments for implementing privatization/commercialization. Generally, too, not much effort has been made to ensure that those enterprises which remain in the public sector are strengthened. However, it is becoming increasingly apparent that there are many preconditions before parastatals can be profitably operated. Some of these preconditions include a high political commitment and political and management skills for those charged with the task.

The case study of the educational sector demonstrates the importance attached to education by all sections of the population and how government has consistently almost monopolized the provision of the service since the early 1970s, and the problems involved in allowing private initiative to play a greater role. Not even the economic crisis and the espousal of a philosophy of economic liberalism has made the Nigerian government change its stance on the monopoly by government of higher education administration, although some concessions have been made at the primary and secondary levels.

It would appear from the case study that non-economic considerations have continued to play an important role in the administration of the educational sector, and consequently the contraction of financial resources is not the most remarkable impact of the crisis, as it has not really affected the sector much.

Finally, the review of developments in the steel sector indicates that the economic crisis actually gave further filip to Nigeria's commitment to developing a steel industry of its own. The sector has been heavily funded but faces very serious problems of under-capitalisation, mismanagement and external meddling. The Federal Government has conceded the partial commercialization and partial privatization of aspects of the industry, but it is yet to be seen whether it will concur with the advice of its creditors to abandon the project altogether and leave it to private sector initiatives.

All told, this study leaves us in no doubt that the economic crisis has had some marked impact on the Nigerian Public Administration System. However, it does not appear that the pattern of this impact has taken any consistent shape. This is obvious when we relate the different findings to the model set up in section one. Thus, for instance, we find that the parastatals sector has been subjected to privatization at about the same time that the government established several other ministerial agencies to deal with some of the problems which have arisen as a result of the economic crisis (for example, the National Directorate of Employment in response to the problem of graduate unemployment and the State Transport companies as a response to the mobility crisis described earlier on).

There is also the commitment to core capital projects even in the midst of very limited public resources. Two significant factors appear to have been responsible for this inconsistency. The first is a fundamental inconsistency in the government's economic policies. In several regards, the logic of a free market has been contradicted by certain actions of the government with the result that the role of market forces is often subverted, as the wage restraint legislations indicate. Similarly, institutions that ordinarily should receive attention, were SAP taken to its logical conclusion, have often been disregarded. The situation of the university system and other research institutions is illustrative here.

Part of the explanation for these developments is either that the commitment to economic liberalism is not deep enough (it has only been carried out to please foreign creditors) or that the political support for the programme is weak. Another explanation

is the virtually non-existent managerial capacity for a programme of this nature and magnitude.

The other possible explanation for the contradictory responses can be traced to the powerful role of non-economic variables. It is quite evident that the state of the economy cannot be the only determinant of government policies and actions. As we found with education, iron and steel, unemployment, and other policy areas, rational calculations have often given way to various political considerations. More importantly, the relatively underdeveloped nature of the indigenous private sector imposes additional responsibilities on the public service, even within the framework of a free-market economy. A close study of the Nigerian SAP in fact demonstrates that it contains contradictory policy instruments for bringing about a free-market economy as well as that of selective closure to promote its national self-reliance objectives.

Largely as a result of the above considerations, it is difficult to conclude from our study that the performance of the public service has improved in any marked sense. Nevertheless, there is a greater consciousness of the need for efficiency and a higher level of productivity in the public sector. Most of the policies that have been put in place have simply not realized their intended effects, at least not fully. Perhaps more time is required.

On the other hand, given the fact that we must depend on the present to reach the future, there is an evident fear of a vicious circle in which the state of the present public service may retard the realized or future expectations, especially as the brightest and best are drained away from public service to the private sector and in many cases to other countries. Another major finding is that the economic crisis has resulted in a bold effort to ensure that the administrative elite is brought under more effective control of the political class - the top levels of the administrative system have been politicised. This is however part of a complementary political programme which is regarded as a major complement to the economic reform programme.

Two obvious suggestions follow from the above points. It is now generally accepted that the Nigerian economy, like that of most other African countries, requires some form of structural adjustment. What remains to be agreed upon is the exact form the adjustment process should take. We do not wish to discuss this here. Rather we must stress the need for consistency in whatever policy measures are adopted. This is a major problem for now and must be urgently addressed.

The second suggestion, which follows from the first, is in the form of a general proposal. As far as we can see, Nigeria's SAP effort calls for a public service that operates within the framework of a free market system and a democratic polity. The Nigerian public service has suffered from several years of centralized control. Therefore, what is required now is not simply contraction but also an efficient and productive use of what remains and also an effectively clear restructuring of the public service so that each unit is decentralized and made accountable to the people. This point further underscores the relatedness of Nigeria's economic and political problems. However, this study has not dealt in detail with the political reform programme which is expected to usher in another attempt at democratic governance by civilians.

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