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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.

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PREFACE

The African Association for Public Administration and Management (AAPAM) commissioned a research into the impact of the African Economic Crisis on the public administration systems of four African states. These countries are Ghana, Nigeria, Tanzania and Zimbabwe. What follows is the report of the Nigerian component of this research.

The research was carried out by members of the Department of Public Administration based at the Obafemi Awolowo University, Ile-Ife, with inputs from the outside the department, most especially, from our university's Department of Economics. Even though it uses some primary published and unpublished reports of government and non-governmental organizations. The major references consulted in the process of preparing this paper are listed as Appendix A. Appendix B contains a brief bio-data of members of the research team and few others who made significant inputs into our work.

Part I

1. Introduction
2. The Nigerian Economy and Economic Policy Responses Since 1980,
3. An overview of the Impact of the Economic Crisis on the Public Administration System

Part II (Case Studies)

4. The Parastatals Sector
5. Educational Service Management
6. Summary Conclusion

It is important to emphasize that this is a draft report. Comments and criticisms are welcome. Such reactions should be directed to 'The Research Team on Impact of the Economic Crisis on the Nigerian Public Administration System', Department of Public Administration, Obafemi Awolowo University, Ile-Ife, Nigeria

CHAPTER ONE

Introduction

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 with 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 and the World Bank.

Although various approaches have been adopted, there exists some common features of the response. Initially, some countries intensified controls and adopted extensive austerity measures. Today, however, majority of African countries have taken to variants of the World Bank structural adjustment programme 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 African public administration systems to the crisis and the policy measures aimed at resolving them. The few studies on these tend to be prescriptive and have provided illuminating insights. 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 the 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.

To this end, case studies of the impact of the economic crisis on the administrative systems of four countries is being prepared. The countries selected are Tanzania, Ghana, Zimbabwe and Nigeria.

This monograph contains the Nigerian component of this continent - wide research.

This report 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 on the organisation, operations and perhaps the efficiency of the Nigerian public sector. The last is significant because these economic responses, especially the Structural Adjustment Programme (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 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. Specific Research Objectives

Specifically, this Nigerian component of the research seeks to examine very closely the following issues:

- a)The nature of the Nigerian economic crisis and in particular, its impact on the public administration system;
- b)Establish the major policy and administrative responses to the economic crisis, noting fully 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.

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 the federal and selected state civil services. In addition, we have examined the parastatals generally at the federal and state level, 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.

CHAPTER TWO

THE NIGERIAN ECONOMY AND ECONOMIC POLICY RESPONSES SINCE 1980

2. Background to Nigeria's Economic Crisis

The serious economic crisis which Nigeria is experiencing 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 Organisation 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 changed 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.

This sky-rocketing oil prices, initially propelled by the Arab-Israeli war during the period 1973-75, resulted in energy crisis and depression in the industrial countries but resulted in increased oil revenue and boom for Nigeria and other oil exporting countries. Table I shows the contribution of oil revenue to the Federal Government's revenue and expenditure between 1970/70 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 later gradually declined to 60.47 per cent in 1978/79. Table 2 also further reveals that the crude-oil was the major revenue source for government expenditure during this period. The oil revenue as a percentage of Federal Government's total expenditure rose from 19.38 in 1970/71 to 98.20 in 1974/75 but later gradually declined to 60.05 in 1978/79.

Oil revenue continued to grow in 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 the oil revenue picked-up again in 1979/80 fiscal year. Between April and

December 1980, a period of nine months, oil revenue was N10.366 billion (Akinnusi, 1987, p.94). This notion of self-sufficiency, that our leaders even once remarked that money was not the nation's problem but how to spend it. However, by mid-1981, the oil glut has returned in full-force and the posted oil price experienced a dramatic tumbling down, that by 1983, it has tumbled to N18.00 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 oil-glut, and the subsequent reduction in the production quota of the OPEC member countries, had 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 1970's, was reduced to about 1.3 million barrels per day in the early 1980's though it has marginally been increased to about 1.5 million barrels per day in 1989.

The false sense of economic self-sufficiency generated by the oil boom of the 1970s, led to the 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 the picture of the structure of the Nigerian economy in the 1970s. The table reveals that the contribution of the agricultural sector to the 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 in 1970 to 3.61 in 1974 and later increased thereafter reaching 9.09 per cent in 1979. The share of utilities fell from 0.72 per cent in 1970 to 0.29 per cent in 1976 and rose again to 0.48 per cent in 1979. The share of building and construction rose from 5.11 per cent in 1973 and 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 and 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 (Okunay, 1989). By 1981, it was estimated to have reached N1.5 million (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. For every N1.00 of manufacturing output in Nigeria, at least 60 kobo was spent on imports on the average. No wonder then that the manufacturing sector collapsed with the disappearance of the oil boom, when it became more difficult to import due to foreign exchange constraint.

2.1. 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 payment 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 deteriorating standard of living are dramatic indicators of economic crisis.

2.1.1. **The Slow Growth of National Output**

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

Table 4 shows that the contribution of the agricultural sector to the GDP picket-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 has turned out to be the main growth point of the depressed Nigerian economy in the 1980s. This is as a result of increasing 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 the GDP 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 the GDP increased from 8.38 per cent in 1980 to 11.38 per cent in 1982 and fell to 4.06 per cent. The contribution of building construction has also been falling 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 has recorded negative growth rates. Table 4 presents the growth rates of the Nigerian economy for the GDP and the important sectors of the economy during the four post-independence planning periods, based on 1977 constant prices.

The table reveals that during the period, 1981-85, the 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 has

consistently recorded negative growth rates and had been a drag on the economy, turned-out to be the main growth point of Nigeria' 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. Tables 3 and 4 clearly demonstrate one of the critical dimensions of the current Nigeria's economic crisis, which is the slow growth of output in the economy 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 in the sector, stood at 20 per cent. The Secretary to the Federal Military Government, Chief Olu Falae recently revealed that the capacity utilization in this sector has risen to 50 per cent by June 1988 (Daily Times, 3 June 1989). Even then, this is still a rather low figure.

2.1.2. 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 short-fall in foreign exchange. The foreign exchange crisis manifests itself in terms of balance of payment problem, rising external debt and debt servicing burden as well as the inability of the nation to import crucial capital and intermediate goods to execute here development projects and programmes.

Table 6 presents Nigeria's balance of payments position between 1980 and 1987.

Table 6 reveals that between 1981 and 1983, three years of President Shagari's first four-year term, Nigeria incurred balance of payments deficit of N4.6799 billion. this was at 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 (see 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 on the nation's balance of payments accounts meant a draw-down on the country's reserves.

As a result of the country's inability to pay for imports and the dwindling foreign reserves, Nigeria accumulated trade arrears during the period 1980 and June 1986, the period before the operation of the Second-tier Foreign Exchange Market

(SFEM). Those 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 (owned by both the federal and state governments) between 1980 and 1987. The figures shown are amount outstanding at the end of December in each year, except 1987 which shows the figure as at October. As at October 1987 the outstanding Nigeria's public debt was N100.7891 billion or about US\$23.5 billion. Official figure puts Nigeria's external public debt as at June 1989 at about US\$17 billion. Table 7 also shows the debt service payment (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 imposes a high burden on the economy.

2.1.3. **Gallop ing Inflation and Mounting Unemployment**

Nigeria is plagued in the 1980's, by the twin problems of high inflation rate and high unemployment rate. Following phillips curve analysis, traditional economics postulate a trade-off between inflation and unemployment; must be willing to put-up with a higher level of unemployment vice-versa. However, in the 1980's world wide and in Nigeria, events have disproved this trade-off thesis. Both high inflation rate 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 the current Nigeria's economic crisis. The high inflation rate has in particular been fueled by the under-valuation of the naira due to the operation of the foreign exchange market.

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 from 204.8 per cent in 1980 to 516.6 per cent in 1987, an increase of almost 300 per cent. Similarly 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. This rapid increase in the general price level, especially food prices, has eroded the standard of living of the people as the purchasing power of income continues to fall rapidly. the rapidly rising food prices can be attributed to rising cost of production as well as 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 are going to 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.

The welfare effect is worsened by the rising open unemployment experienced nationwide. Table 9 presents official unemployment figures for the period June

1985 to September 1987. It is no gain-saying that this official figures grossly underestimate the true unemployment situation in the country.

Table 9 reveals that the urban environment presents a more serious unemployment problem than the rural areas. The urban unemployment rate rose from 8.7 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 periods. One feature of this open unemployment problem is the rising unemployment among the graduates of the nation's Higher Institutions, especially University graduates, whatever Federal Government to establish the Directorate of Employment in 1986 as a means of reducing the unemployment crisis.

2.1.4. **The Mobility Crisis**

Nigeria has been experiencing a serious mobility crisis, especially since the introduction of the Structural Adjustment Programme(SAP) in July 1986. This mobility crisis has been particularly serious in the urban area. 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 problem for the existing vehicles, and they disappear in thousands from the road every month. Table 10 which shows the situation of commuter vehicles in Lagos metropolitan area between 1978 and 1987 is indicative of the condition operating nation-wide.

The figures in table 10 are very revealing. The number of all categories of vehicles incased steadily up to 1984 and declined sharply thereafter. The shortage of commuter vehicles has created tremendous mobility crisis in Nigeria, a mass transit programme in 1988 in a bid to ease the transportation problem nation-wide. We return to this issue later in this report.

2.2. **Policy Responses to Nigeria's Economic Crisis**

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

2.2.1. **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, it led to a heavy drain on the external reserves. Thus by April 1982, the external reserves had fallen to a dangerously low level that it could hardly finance one month's imports at the then level of importation. 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 it without delay. It then became law as the Economic Stabilization (Temporary Provisional) Act 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, through BTA was left at N800.00 per person per annum;
- reduction of business travel allowance from N3,00.00 to N2,500.- 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 N.500 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 like raw materials (252), 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) per cent. 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 licence and placed under specific import licence 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, and 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 depot, 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, or isolate the achievements of different measures or class of measures because of paucity of data. What we would do is attempt 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 3 shows that agricultural production in terms of its contribution to GDP, increased from 20.51 per cent in 1981 to 25.71 per cent in 1982 and further to 31.07 per cent in 1983. In particular, output of staple food crops, livestock products and fish were fairly encouraging in 1982, livestock products and fish were 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 3 further shows that 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. Manufacturing sector's contribution which had increased from 9.47 per cent in 1981 to 11.38 per cent in 1982 declined to 6.26 per cent in 1983 and further to 4.6 per cent in 1984 (See Table 3). The shortage of raw materials due to shortage of foreign exchange resulted in low capacity utilization, estimated to 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 continue 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, especially that of junior cadre in the public sector 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 deposited introduced in 1982 created more debt problems. As the Central Bank failed to remit payments for imports due to shortage of foreign exchange, trade arrear accumulated. As a result banks stopped opening letters of credit to anybody in Nigeria, and creditors in turn stopped shipping goods to Nigeria.

When General Buhari took over the reigns of 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 over -over-thrown 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, Government promised to put in place an alternative internally conceived strategy to revamp the ailing economy. By the time the government came to power in 1985, it inherited a heavy debt burden of about \$19 billion, and the situation was such that the national 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 programme (SAP), designed to last for two years (July 1986 -June 1988), as the Administration's programme for economic recovery.

2.4 **Elements of the Structural Adjustment Programme;**

The aim of the Structural Adjustment Programme (SAP), is to effectively alter and restructure the consumption and production patterns of the economy as well as eliminate price distortions and heavy dependence o 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, tariff structure designed to discourage imports and encourage exports, adoption of appropriate pricing policies in all sectors with greater reliance on market force, rationalization and restructuring of public expenditure, privatization and commercialization of public enterprises.

The first round of negotiation to reschedule Nigeria's external debt started in 1986. At the end of the negotiations with the various creditors, like the London Club and the Paris Club in 1987, the Nation was able reschedule some of her debts for about 10 years. During the second round of negations in 1988, Nigeria was able to achieve about 22 years repayment period. Consequently, Government has been able to reduce the proportion of foreign exchange earnings devoted to debt service payment 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 the farmers to get the full benefit of the world market of 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 tone in 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 (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. So, since 1986 Nigerian cocoa farmers had been going through a period of cocoa boom.

However, the cocoa boom may turn out to be a temporary feature as world cocoa price has started to tumble. The price has fallen from f1,200 in 1986 to f800 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 that prices of farm inputs, which had also gone up many folds 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. No doubt at this exchange rates, the naira was 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 rates for the naira, the Second-Tier Foreign Exchange Market (SFEM) commenced on the 29 September, 1986. Such a realistic exchange rate is 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 mission abroad, all transactions were channelled through the SFEM. Eventually both rates merged and the system became known as the Foreign Exchange Market (FEM). The weekly bidding was also changed to forth-nightly 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 Bureau De Change, so as to increase the number of authorized foreign exchange dealers. The fortnightly biddings were also abolished, Nigeria now operates a floating exchange rate system, whose rates is determined daily, in relation to other major international currencies.

The value of the naira has depreciated widely 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 the 26 September 1986 was N4.6174 = \$1.-. By the eleventh weekly

bidding on 4 December 1986 the exchange rate has increased rapidly thereafter and it now stands at about N.- 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 system has put an unbearable burden on the masses. This recently led to a country-wide anti-SAP demonstrations, which forced the Federal Government to hurriedly release a number of SAP-Relief Measures to ameliorate the social cost of SAP.

The rapidly rising prices of food staples, such as yams, 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 like 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 manufacturing sector to between 50 and 60 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 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, surplus balance of payments have 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 allow the market forces to determine appropriate interest rates and therefore, remove distortions in the capital market. However, the policy has a negative effect of discouraging 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.

As part of the 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 though commercial vehicle operators still buy fuel at 42 kobo. This aspect of the SAP has also been inflationary as transportation cost has risen many fold.

CHAPTER THREE

AN OVERVIEW OF THE IMPACT OF ECONOMIC CRISIS ON NIGERIAN PUBLIC ADMINISTRATION

This chapter contains a general survey of the major effects of the economic crisis as well as of the economic effects of the economic crisis as well as of the economic policies discussed in the last chapter on the Nigerian public administration system. The discussion makes use of the model presented in Table 1 to present our major findings.

3. The Scope of the Public Sector:

What we try to establish here is whether the Nigerian public sector has contracted or expanded as a result of the economic crisis and/or the policies adopted to cope with that crisis. We also try to establish the nature of any redefinition of governmental roles that has taken place. If indeed there has been a contraction of the direct production activities in the public sector, what is the implication on that sector's regulative and facilitative roles?

There are different ways of measuring the scope of government in the national economy. Only two of these are available to us. The first is the absolute size of the government expenditure, the second is the size of government expenditures compared to the Gross Domestic Product. These two measures are shown on Table 11.

3.1. Public Sector Size as a Proportion of the Gross Domestic Product

A cursory examination of Table 11 shows that there has been a progressive contraction of the public sector since GDP fell from 40 per cent in 1981 to 22.6 per cent in 1986, the lowest figure to which it fell throughout the 1980s, before it began

to rise again. During the same period, total government expenditures (recurrent, capital) fell from N20.5 billion to N13.6 billion in 1984 slightly rising to N15 billion and N16 billion respectively in 1985 and 1986. The sharp rise in total government expenditure from 1987 must be associated with the devaluation of the naira. The naira has progressively fallen since the introduction of the foreign exchange market in 1986. The average value of the naira fell from US\$1 = N1 (1985) and US\$1 = 7.50 (1988). In spite of this, the table shows a higher expenditure contraction at the level of state governments. Federal government expenditures doubled from 11.2 billion (1981) to N22.4 billion (1988) whereas state government total expenditures which stood at N9.4 billion in 1981 declined to N4 billion in 1984 before rising slowly to N10.4 billion in 1988, i.e. less than one-half of total federal expenditures for that year.

This implies that the private sector has begun to make a greater contribution to the national economy than hitherto. It is also a sharp contrast to the 1970s when public expenditure was much higher in absolute and relative senses. For instance, the expanding role of the public sector up to the early 1980s is captured by an analysis of the National Development Plans in Nigeria. (See Table 12).

The share of the public sector in planned expenditures rose from 56 per cent in the 1962-68 plan-period to 86 per cent in the Fourth Plan in 1981-85. This expanding role was halted by the economic crisis, which got to its peak in the mid-1980s. At the inception of Babangida Administration in August 1985, the Fourth Development Plan which was near completion was suspended, and there has not been another National Development Plan ever since. One remarkable thing about that plan was the low level of financial/programme achievement due to shortfall in resources.

3.2. **Financial Resources: Major Motivation for Public Sector Reforms**

It is important to note that the shortfall in financial resources has been the major motivation for public sector reforms. It has been shown earlier that the country's fiscal problems revolved around the collapse of the oil whereas the report of the International Labour Office on Nigeria's prospects in the 1980's had predicted an average cash inflow of N10 billion from oil revenue alone (at 1980 prices). Oil revenue reached this target figure in only two years (1980 and 1985) before the naira was devalued in 1986. (See Tables 13 and 14).

Beginning with 1984, tight fiscal policies were pursued which had the following objectives:

- 1.Reduction of overall public sector deficit from 11.6 per cent of the GDP in 1983 to 2.7 per cent in 1985.
- 2.Reduction in overall expenditure both capital and recurrent and in particular by the imposition of public sector wage freeze, strict limitations on transfers to parastatals and to state governments and the balanced budget policy at the state level.
- 3.Shift of emphasis from capital to maintenance and rehabilitation programmes especially in education, health, transportation, utilities and other infrastructure.
- 4.Elimination of subsidies on petroleum products consumed domestically, and agricultural inputs such as fertilizers and on-farm services. By 1986, the subsidy on fertilizer had been reduced from 75 per cent to 25 per cent (expected to be phased out completely in 1989) while the first (60 per cent) reduction in domestic petroleum was made in 1987.
- 5.A reduction in governments involvement in direct agricultural production and increased focus on providing the necessary services to farmers. Similarly, in the industrial sector, a shift in emphasis from public sector dominated, large capital-intensive industries to providing the appropriate macro-economic environment and incentives for greater private sector involvement, with special reference to small and medium scale sub-sector enterprises.

SAP enhanced and took these measures further. The most pertinent of these policies was that which provided for containing budgetary deficits within 3 per cent of the GDP through (i) the stimulating of non-exports revenue (expected to generate US\$1 billion by 1990); (ii) constraints on public sector wage bill through the freeze on the hiring of all but the most critical skills (iii) emphasis on routine and periodic maintenance over new projects and completion of only core projects with high economic viability and high completion ratio's. Whereas road construction, power, and the agricultural development projects (ADPs) were perceived as priorities, Abuja, the gas and steel projects were to be slower - paced, (iv) Reform of parastatals such that non-statutory transfers will not exceed 50 per cent of their 1985 levels and all transfers to fully commercially-oriented parastatals were to end in 1988.

The last few years (1986-1989) has witnessed the federal government's efforts to implement these policies. Some advances have been recorded and their have been some reversals as well. For instance, much more is accruing from the non-oil revenue sector than before. Government subsidies of agricultural inputs and

domestic petroleum have been reduced through not to the levels expected. The most outstanding aspect, however, has been the inability to sustain a balanced budget even within the framework of SAP expectations (See table 14). A recent Central Bank monthly report notes that; "The overall budget deficit as percentage of total expenditure and nominal GDP rose from 35.1 and 6.1 per cent in 1988 to 42.8 and 7.8 per cent in 1989, respectively".

In general, the budgetary policies aiming at enforcing the SAP have not been consistent. While the 1987 budget was deflationary, the 1988 budget which should have been a continuation of that of 1987 was reflationary. The federal government expenditure increased by 38 per cent in one year and the deficit represented about 32.1, 28.6 and 34.1 per cent of Nigeria's GDP in 1985, 1986 and 1987 respectively. (B. Ikara, 1989 p.28). The 1989 budget was also a reflationary budget although the deficit (7.2 per cent) is less pronounced.

Inevitably, both the federal and state governments as well as their agencies have resorted to procuring more loans, internally and externally to finance their deficit.

3.4. **Patterns of Expenditure In The Public Sector**

A third major indicator of the nature of changes ongoing in the Nigerian public service are the budgetary priorities. What has been the implications of the economic crisis on government expenditure patterns - for the various sectors: economic versus social, recurrent versus capital programme, goods/services versus transfers ad even within each sector what have been the priorities: between basic/primary services compared with tertiary services? We believe that these types of comparisons are capable of indicating in a very broad manner, the nature of changes going on within the Nigerian public sector.

3.4.1. **Changes in Government Capital Expenditure Patterns**

Within the last one decade (i.e. 1979-89), government expenditure patterns have altered considerably to adjust to the economic crisis. For example, table 15 shows that economic services were responsible for an average of 62.4 per cent of total capital expenditures between 1979 and 1983. The pattern is consistent with the pattern of expenditure allocation in the past. Almost two-third (or more) of the federal capital budget was devoted to economic services during the last three quinquennium (2nd plan, 1970-74:

63 per cent; 3rd plan, 1975-80: 65.3 per cent; 4th plan 1980-85 (Estimates): 60.5 per cent. The implication of this is that those sub-sectors under Economic Services such as agriculture, water resources, manufacturing, mining and quarrying, and transportation and communication were given priority over the other sectors, because the federal government had the greater responsibility for economic management within this sector. Transportation and communication had the highest priority (as usual) during the period. In particular, much investment was made on major trunk roads and air transportation. However, with the economic recession, the share of economic services dropped from 61.9 per cent in 1983 to an average of 12 per cent between 1984 and 1986 and rose to 13 per cent in 1988. The priority shifted to transfers, as from 1984, thus transfers rose from 4 per cent to 78.6 per cent in 1984. The implication of this is that the Nigerian federal government has had to devote the lion-share of its central expenditures to loan repayments and loans to shore up some of its parastatals. While the former is clearly a policy objective of SAP, it is not clear whether the latter is capital repayment and loans to parastatals and government-owned companies took the largest share within the sector during the period. In 1986, capital repayment took 65 per cent of total capital expenditure. On the whole, transfers were responsible for 70 per cent and above of capital expenditures between 1984 and 1986,

3.4.2 Recurrent Versus Capital Expenditure(1979-89)

Table 11 also shows that there was a major switch in terms of the federal government's expenditure priorities between capital and recurrent items.

For instance, the ratio was 49 per cent to 52 per cent in 1981 (Recurrent 49, and Capital 51). But from 1983, this altered; recurrent expenditure began to take the lead. The average for the period 1983 to 1987 was 61 per cent for recurrent expenditure and 39 per cent for capital expenditure.

This change is rather dramatic. The underlying factor cannot be far from the federal government's attempts to re-order its priorities from commitment to new capital projects to creation and sustenance of a maintenance culture, in view of the cash-squeeze as the SAP policy document notes. In fact, many capital projects have been suspended, shelved and some abandoned.

The few capital projects embarked upon, are among those few that the government believes will help to revamp the economy, and in particular those that will help to diversify the country's base and that could make the economy more self-reliant. Some of these capital projects include the Iron and Steel Industry and the Gas Industry.

About 80 per cent or more of the recurrent budget has been devoted to administration (including defence and security) and transfers. The provisional allocation for these two sectors in 1987 was 38.6 and 51.4 per cent respectively, a total of 90 per cent! Almost 40 per cent of recurrent expenditures went as public debt charges for that year. (Table 16). One explanation for the large allocation to administration throughout the period (1979-87) is that the military (defence) and the police have the highest personnel costs among the various agencies. One policy of government which seems contradictory to its private enterprise philosophy and which tends to increase administrative costs as well is the commitment to the direct production of goods and services (especially for construction and maintenance) by the nation's public services rather than through contracting with private entrepreneurs.

In view of public expenditure contraction, two trends are discernible in terms of the allocation of expenditures to the various sub-sectors within the Federal government. First, there is a trend to salvage (and actually spend more money than before) on specific capital projects which are considered as crucial to the nation's economic survival and transformation. These include projects like iron and steel and the gas industry, to mention just two. Another strategy is that of reprioritization within the social and community services sub-sector (education health, housing agriculture and transportation etc) - more money is being allocated to the primary and universal aspects of these services as against their secondary

or tertiary sectors. for instance, the primary education sector is receiving more attention than it used to have before the crisis, more resources are also being voted into primary health care rather than hospital construction. Similarly, government has withdrawn from public housing construction and in a new policy which is yet to be published advocated its role as a facilitator of private initiatives. These two developments are reviewed below:

3.4.3 **Reprioritization in Socio-Economic Services**

When governments find themselves confronted with resource-scarcity, one

of the traditional responses has always been the reprioritization of their services both within and across sectors.

Since the beginning of the economic crisis in Nigeria, there have been a noticeable re-prioritization in some of the major services provided by governments services - such as education, health, transportation, housing and agriculture. Since a whole section is devoted later in this report to an examination of the education sector, that service is not discussed here.

3.4.2.1 **Health Services**

Until recently when the nation's economy faced an unprecedented crisis, the priority of the government was majorly centered on secondary and tertiary health services - such as building of teaching hospital complexes, general hospitals, installation of sophisticated equipments and gadgets. Since 1985, this emphasis seems to shift to primary health delivery services. In 1985 Budget Address, General Buhari stressed that:

In order to extend health care delivery right to the village level, health centers and clinics will be adequately equipped and the existing primary Health Care Scheme (Budget Speech, 1985).

On the assumption of office of President Babangida, he pursued that same health policy, but added another dimension, "special assistance to nationwide health education campaign to alert our people to the causes, symposium and prevention of aids and to the importance of immunization against yellow fever". There was also a more vigorous commitment to population control and a National policy on Population was launched by the President in 1987.

The shift of government's priority to primary health services, is significant as health services now extended to larger percentage of the citizenry, through various programmes embarked upon by the government - such as rural health centers. On the Government financial commitment table 15 shows that there is an increase of the share of health services in 1988 and 1989. For instance, between 1984 and 1987 the average was 0.7 per cent, but significantly rose to about 1.6 percent between 1988 and 1989.

3.4.3.2 Transportation Services

As demonstrated in chapter two, the economic crisis has translated into a mobility crisis as well. Since the economic crisis set in, many vehicles have been grounded. Prices of new vehicles have soared up drastically that it is almost impossible to purchase a new vehicle. The high cost of maintenance coupled with increase in fuel costs, make commercial transport owners to increase transport fares on regular intervals, the brunt which is usually borne by the regular intervals the brunt which is usually borne by the commuters, or rather the masses. The situation was so desperate that the Nigerian Union of Road Transport workers proposed to increase transport fare by 300 per cent, but the Federal Minister of Transport presented it.

One policy response was contained in the 1988 budget estimate, when the Federal Government allocated the sum of N700 million for the rehabilitation of Urban roads and road transport vehicles; provision of locally built buses for immediate Mass Transport Improvement, and employment generation. By February 1989, 560 buses had been allocated to the 21 states in the country. In April 638 buses were ordered and allocated to both state and federal agencies. Of the buses ordered and distributed as at June 1989 amongst the states, Ondo state got 9, Kano 10, Rivers and Niger 18 each, Buachi 22 and Abuja 24, Anambra, Borno, Imo, Kwara, Plateau and Sokoto 25 each. Benue and Kaduna 30 each, Ogun 37, Cross River 45 and Lagos 67. (Daily Times 29 August 1989).

This effort was augmented by the individual states. For instance, Imo State has provided additional 15 buses, Ondo 53, while the Government of Kaduna State has placed or for 50 buses more from Hungary. (Daily Times, 29 August 1989). Various states, therefore, have set up Transport Companies, while in some states, old ones were resuscitated and expanded in order to pursue the mass transit policy-inaugurated by the Federal Government. For instance, in Oyo, there is the Trans-City Transport Corporation, in Lagos - Lagos State Transport Corporation, in Kwara - Kwara Express, in Bendel - Bendel Line, Kaduna Transport Authority etc.

Furthermore, under the SAP Relief Package announced in June, 1989 the Federal Government Allocated to manufacturers of spare parts and accessories the sum of \$5.7 million; \$1 million each was allocated to Nigeria Railway, Nigerian Transport Owners Association (NTOA), Lagos state Taxi drivers Association (LSTDA)

and Nigeria Union of Transport Road Worker (NUTRW). Inland Water way Division got \$500.- and private transporters with fleet of buses were jointly allocated \$7.5 million. State Transport Corporations were allocated \$2,5 million, transport sector organizations \$8.05 million; operations - \$15.5 million (Daily Times 29 August 1989). It was stated that the 200 buses recently ordered and others which may be bought later will be "based on needs, demonstrated capability for sustained operations and maintenance and commitment to loan repayment".

Renovation of Nigerian Railway Corporation

The pursuit of the mass transit programme has been multifaceted. Frantic efforts were made to revive the dying Rail transport services. A new Sole Administrator, Dr. Samuel Ogbemudia, was appointed for the Nigerian Railways Corporation. On his assumption of office, he began to infuse life into the Corporation. Many abandoned coaches were refurbished. Within a short time, "trains became part of the mass transit equation in the country". (Daily Times of 30 August 1989). The Urban Commuter Service was launched on 2 May 1989 in Lagos, with a start of 7,000 persons. Today, it conveys about 24,000 persons a day (Daily Times).

Ferry Services were not left out. For those resident in Lagos ferry services are being provided for them.

Though all these efforts are no doubt commendable, the situation is still grim and unpleasant. It is a common thing today to find motorcycles being used as taxi in any of our cities, and even in state capitals. In fact, Bornu state government is said to have legalized motorcycles to be used as taxi. Many private car owners have turned their cars to taxi services.

3.4.3.3 Agriculture

As already shown earlier, agriculture which traditionally was the main stay of the Nation's economy, faced an apparent negligence with the discovery of Oil in Nigeria. The oil boon which met with crisis within a decade has led the various governments to

introduce special agricultural programmes ranging from Operation Feed the Nation (OFN), Green Revolution and to Back to the Land etc.

However, none of these programmes had made reasonable impacts on the economy.

Looking through Government's expenditure between 1979-1989, one will see how much priority each administration has given to agriculture in terms of absolute financial commitment. During Shagar's administration (1979-83) Agriculture was given an average share of 5 per cent under capital expenditure, and only 7 per cent under recurrent expenditure. Then between 1984 and 1985 during Buhari's military regime the share for agriculture dropped to an average of 2.5 and 0.7 per cent under capital and recurrent expenditure respectively, despite the administration's "Back to the Land" programme. From 1986-1989 the share of agriculture under capital expenditure witnessed a considerable increase from 2.5 per cent in 1984-85 to 6.8 per cent. This reveals the present administration's commitment to revamp the nation's agriculture.

This is besides the present administration's commitment to the development of rural infrastructures through a national agency established for the purpose. About N2 billion has been given to this organization, the Directorate of Food, Roads and Rural Infrastructures (DFRRI). Within the period (1986-88) it constructed some 20,000 kilometers of rural roads, giving strong fillip to the construction, rehabilitation of rural roads throughout the country and other infrastructures, housing etc.).

3.4.3.4 The National Party of Nigeria (NPN) which came to power in 1979, had it as one of its cardinal programmes to provide houses 'for all'. This was enthusiastically pursued by the administration. The first phase of the programme consisted of 3 scheme:

(i) Construction of 40,000 houses mainly for low income earners throughout the country estimated at N400m, under the supervision of Federal Ministry of Housing and Environment.

(ii) Urban Development Projects - aimed at providing residential houses for middle and high income earners and social services like schools and hospital, sponsored by the World Bank, Federal Mortgage and, Federal and State Governments.

(iii) Provision of houses for middle and high income earners. (CBN Annual Report and Statements of Account, 1980).

By 1980, 24,586 housing units were completed, and by 1981 another 27,817 units were completed. This rose to 31,088 units in 1982. Between 1980 and 1983, housing received the following shares under capital expenditure: 4.5, 2.6 and 7.4 per cent for 1980, 1981, 1982 and 1983 respectively. In 1984, the allocation dropped to 2 per cent. In 1986, the share rose again to 6.1 per cent and all uncompleted and unoccupied houses were handed over to the state governments for completion - most of which had reached 92 per cent completion.

The policy of the present administration with respect to housing is to limit the role of the (federal) government to the facilitative aspects, rather than actual construction. Hence, the Babangida administration since its inception in 1985 has embarked on shelter-related programmes which involve relevant government agencies and the private sector (The Guardian, 3 October 1989). More emphasis is also being placed on housing finance through loans made to private individuals and building societies and the use of local building materials in housing construction. Recently, the Chief of General Staff, Vice-Admiral Augustus Aikhomu regarded the housing of civil servants as a "regrettable burden" inherited from the colonial masters, which may be discontinued soon.

All these developments point clearly to the fact that the Nigerian government has not only tried to reprioritise its socio-economic services, but has gradually begun to reduce its participation in these programmes.

3.5 **Structure of Public Administration**

In this section, we shall be interested in finding out whether the economic crisis has led to changes in the structure of the Nigerian public service.

3.5.1 **Departmentation**

One of the recurring themes in Nigerian public administration is the appropriate number of ministries and non-ministerial departments at the federal and

state levels.

The ministerial agencies have not changed drastically in spite of the changes in the economy and the public sector, although there have been a number of reorganizations.

At the state level, there is a much wider variation but of the states on which we have data some already have more than ten ministries and as many as 12 extra-ministerial departments. They also have state sections of the different national directorates. Yet there was a time (1984) when government mandated that the number of ministries should be kept low. At the state level, it was to be nine.

3.5.2 **Decentralization**

In this section, we shall be interested in establishing the extent to which the economic crisis as well as the governmental responses to the crisis have sustained the drive towards the centralization and/or decentralization of the Nigerian public sector. This is a significant question in view of the fact that the tendency over the years (aggravated by military rule, three-year civil war and the oil boom) has been towards centralization of government activities. The latter had seven dimensions:

- i) From State Governments to the Federal Government
- ii) From Local Governments to State Governments
- iii) From field administrations to the headquarters at all levels of government
- iv) From Ministries to Coordinating Agencies located in the Presidency
- v) From lower level officials within ministries to higher level officials
- vi) From parastatals (including statutory corporation, public enterprises) to the civil service
- vii) From the private to the public sectors.

Although there is substantial controversy on the subject, this continuing centralization of governmental activities and management is regarded to have contributed rigidity and gross inefficiency in the public sector as it became more and more difficult for the latter to respond changing citizen needs and the environment. The fact that simple decisions have to be

referred to the top most hierarchy in ministries and departments led not only to delay but arrives to a state of near - paralysis of governmental administration while at the same time offering greater opportunities for corruption. With the exception of (vii) which has been discussed already, we shall mention the major noticeable changes to each dimension of centralization.

Before doing this, it is necessary to make two important remarks. First, centralization used to hold considerable fascination to both scholars and practitioners of development administration in Nigeria. This brings us the second point. Even though, it is unfortunate consequences have been highlighted and challenged (within the framework of SAP), there are still strong currents of centralization within the Nigerian public service in virtually all of these seven dimensions.

3.5.2.1 Federal - State Relationships

Given the fact that the military dominated this period there has been very little change in federal state relationships. This is easily discernible in Table. The new (1982 Constitution) has endorsed the strong centralist underpinnings of the 1979 constitution and gone a little further. The centre's legislative capability has been increased and both the Report of the Political Bureau and the Revenue Allocation Commission are supportive of a shedding of some federal roles/and resources in favour of local governments but not necessarily of the states. Indeed, some people have suggested that the state be abolished all together, thus implying a return to defect unitary arrangement.

3.5.2.2 State - Local Government Relationships

The reform of local governments which was carried out in 1976 has been sustained in the 1980s, although there was an initial ambiguity on the subject. However, as the transition to civil rule programme unfolded, it became even all the more necessary to strengthen local governments to avoid a situation in which state governments could easily withdraw powers, responsibilities and resources from local governments as they did during the Second Republic. A number of actions have been taken to forestall this eventuality. These include:

- the direct payment of local government by federal agents in the field;
- the abolition of the ministries of local government;
- the creation of the position of the Director of Local Government Audit, separate from the State Director of Audit;
- the creation of new local governments to bring the total to 449, based on federal constituencies;
- the special funding of primary education through a national fund into which all government make a contribution.
- the incorporation of local government in the constitution in a more elaborate way in order to ascertain their third tier governmental status.

3.5.2.3 **Privatization and Commercialization**

(since a whole section is devoted to a discussion of this theme later in this report, we have decided to skip discussing it here).

3.5.3 **The Reform of the Nigerian Civil Service of 1988**

The other three dimensions of centralization/decentralization were directly affected by the Civil Service Reform which was announced in 1988 and which are currently being implemented in different sections of the Nigerian public service.

In terms of horizontal decentralization between ministerial and departments of government, the trend over the years has been towards centralization within the Presidency of agencies directly controlled by the occupant of this office. The civil service reform concurrently promoted centralization and decentralization at this level. It centralized the operations of the economic units within government (at federal and state levels). Ministries of Finance and National Planning were merged. The Central Bank which used to report to the Ministry of Finance is now made autonomous and is to report direct to the Presidency. A permanent National Planning Commission is also created to operate from the Presidency. Each of these bodies is expected to carry out integrative roles in the economic sphere and promote centralization.

On the other hand, each ministry is now to operate with greater relative

autonomy than before. Institutions such as the Office of the Head of Civil Service which used to carry out integrative administrative roles especially in respect of officers at the most senior cadres was disbanded and since each ministry is being professionalized, the reform brought an end to the idea of officers being deployed from one ministry to the other. The Federal Civil Service Commission is also now to be responsible mainly for setting general policy guidelines, which each ministry will recruit its own staff. The Ministry's new power to hire and fire staff (even though new) has led to mass dismissals in ministries such as - employment and productivity, agriculture, mines and power, sports and social welfare, and finance. There are fears that these powers might be abused in particular under civilian administration.

In short, the civil service reform which was designed to promote efficiency in the Nigeria civil service led to centralization in the management of the nation's economic management and in terms of relationships among units of government at the same time.

The reform also provided for greater operational decentralization within ministries. One of the major problems of Nigerian public administration is the underdevelopment of the field administration system - in terms of the quantity and quality of personnel, and most importantly, the discretionary authority allowed officers at this level. A study of the Federal Ministry of Works and Housing, One of the most decentralized ministries at the federal level showed that even the most senior officials were only allowed to manage projects not exceeding N5,000.-. The field outstations were also short staffed and even those available tended to have a high turnover, to absent themselves from the field because they needed to be close to the headquarters in Lagos etc. (Ilutanmo,1989).

The civil service reform provides for the creation of Personnel Management Board for junior staff (Grade levels (01-06) in the field. There are no similar bodies for senior officers, except in the headquarters. but even this formalization of an informal arrangement is welcome. In addition, the reform guidelines provide specific spending limits for various categories of officers from the minister (N250,000) down to Director-Generals (100,000), Directors (N50,000), Deputy Directors (N20,000), Assistant Directors (N10,000) and Chief Officers (5,000). In other words, the more senior the head of a field operation is, the higher the expected level of discretionary authority.

Finally, in terms of delegation within ministries, while the reform guidelines hold that ministries shall be both Chief Executives and Accounting Officers for their various ministries (the latter function was performed by the most senior permanent officials), a strong case was also made for decentralized

operations within each ministry. Hence the reform guidelines provide that:

The minister shall delegate a substantial part of his administrative and financial functions and authority to the Director-General who should be fully involved in the key decision making processes. There shall be further delegation of powers and functions down the line in each ministry.

Each minister shall exercise his powers in full consultation with his Director-General who should be as the deputy to the minister. The Heads of Extra-Ministerial Bodes and Agencies such as the Cabinet office, the Nigerian Police Force, the Federal Civil Service Commission, Office of the Auditor-General and the Public Complaints Commission shall perform or discharge their duties in a manner similar to that of a ministries's (Implementation Guidelines, 1988).

3.6 **Manpower Management**

The size of personnel is another indicator by which the scope of the public sector can be measured. For very long the government remained the largest employer in the modern labour sector. However, a cornerstone of the governmental response to the economic crisis has been the reduction of the public service through mass dismissals, retirements, etc. all aimed at a contraction of public sector wages.

3.6.1 **The Federal Civil Service**

The Federal Civil Service with a staff strength of about 30,390 in 1960/61 rose to about 302,424 in May 1984; representing a ten-fold increase within two decades. This phenomenal growth is regarded to have been highly accelerated by the "great laxity in the recruitment activities of the various ministries and departments" especially under the civilian presidential administration without corresponding plans and provisions. (Report of the study team on he Structure, Staffing and Operations of the Civil Service, 1985; 52).

Other factors that led to the massive increase was the oil boom and the large

increases in federal expenditure programmes. The implication of this was a great increase in the government expenditure on the civil service. For instance, General Administration took an average of 18.7 per cent of the total recurrent expenditure between 1979 and 1987 (See table 16).

From the table, the share of General Administration rose from 10.3 in 1979 to 30.7 per cent in 1983 during the civilian era. This rapid growth of the civil services was halted and reduced by the new military administration which came to power on 31 December 1983 in its bid to revive the battered economy. One of the steps taken to accomplish this objective was the commitment in reduction of government expenditure. This led to a mass retrenchment exercise in the public service. By mid 1985, the personnel strength of the Federal Civil Service had been sliced down to about 283,000, a decrease of above 20,000 within a year (Report of the study team, 1985:41). General Administration costs under recurrent expenditure which went up from 10.3 in 1979 to 30.7 per cent in 1983, was forced down to 13.9 per cent in 1985. (See table 16). This exercise did not make much positive impacts on public administration in Nigeria. Fear and uncertainty gripped the remaining civil servants, which had negative impacts on their output. Besides, several agencies found it more problematic to pay retirement benefits in a lump sum. Paradoxically, the retirement spree has led to an increase in personnel costs rather a decrease, at least this was the case in 1987 and 1988.

3.6.2 Extra-Ministerial Departments/Parastatals of the Federal Government.

The reduction/contraction exercise was extended to Extra-Ministerial Departments and Parastatals as part of finding solutions for the ailing and limping economy of the nation. In fact, more stringent measures were taken against the parastatals, as some other parts of this report would reveal. During Buhari/Idiagbon purge exercise in 1984, the axe of retrenchment fell on an additional 2,000 persons in various departments and parastatals besides those retrenched within the Federal Civil Service. Actually, the problem of departments and especially parastatals are multi-dimensional. For example, as far back as 1981, the Report of Presidential Commission on Parastatals had "identified over-staffing as a serious problem which parastatals must deal with as a matter of urgency if they are to become as cost-effective as they should be". For instance, the 27 fleet aircraft of Nigerian Airways, was manned by about 333 staff per craft, while "private airline like OKADA and KABO had about 12 employees for running

one craft" (Sanda 1987:178. Recently the retirement exercise has again gone under way in several parastatals and other government agencies. This renewal was occasioned by the directive that all those who put in 35 years in service should retire or be retired. On 28 August 1988, a total number of 3,393 employees of the Nigerian Ports Authority were given letters of retrenchment by the management. (Daily Times 28 August 1989). Similarly, the National Electric Power Authority (NEPA) is contemplating to sack about 3,000 of its employees as part of the commercialization process in the public utility organization. The proposed reduction in the staff strength was recommended by the Technical Committee on Privatization and Commercialization so that the authority can make profit. The Universities were not spared. Several university lecturers and professors who had put in 35 years in the service were retired in July 1989.

3.6.3 At the State Levels

The states' civil services were not left out in the exercise. A few states have been selected as samples.

In Ogun state, an examination of the civil service staff data from 1983-87 shows that because of the general laxity in the recruitment policy of the civilian administration (1979-83), the personnel strength in the state's civil service was as high as 13,695 in 1983. This figure was drastically reduced to 8,695 in 1984. This figure was drastically reduced to 8,972 in 1985, and to 8,103 in 1986. By 1987, it had dropped to 8,005 and 7,926 in 1987. (See table 17.

In Bendel state, the situation was slightly different. The reduction between 1986 and 1987, appeared to be very much pronounced, while there was a considerable increase in 1988 and 1989. For instance, the personnel strength stood at about 17,231 in 1986, but reduced to about 15,589 in 1987 (Bendel State Approved Budget, 1987). It rose to about 17,996 in 1988 and about 20,593 in 1989. The personnel and overhead costs for 1987 are N214,977,110 and N61,802,090 respectively, representing 50.8 and 14.8 per cent respectively of the total recurrent expenditure (loans and grants accounting for the remainder. In 1988, both personnel and overhead costs rose considerably - they stood at N248,708,120 and N74,360,090 respectively, about 64.2 and 19.2 of the total recurrent expenditure respectively for the year. The reactively sharp rise in 1988 personnel and overhead costs might be due to the review in salary scale of the public service. However, the 1989 estimate costs for personnel

fell, while that of the overhead rose sharply - i.e. 45.6 and 31.5 per cent respectively of the total recurrent expenditure.

In Kwara State, the exercise was dramatic. In 1985 alone, a total number of 4,692 persons were retrenched from various ministries and departments in the state but in 1986, the exercise was very minimal - only 20 were thrown out - 4 terminations and 16 dismissals. (Kwara State Civil Service Report, 1985).

In Niger state, the gradual reduction method is more glaring. For example, the staff strength was 17,405 in 1985; this was reduced to 13,040 in 1986, 12,813 in 1987 and 9,871 in 1988. In 1986 42.9 per cent of the total recurrent expenditure was allocated to personnel costs, but dropped to 40 per cent of total recurrent expenditure in 1987.

One major problem we have had to contend with in interpreting the above data is the fact that several other items such as grants and subventions are grouped under personnel costs personnel expenditure. Nevertheless, they show a general profile of decline in the number of people employed in the Nigerian public service. Besides the issue of personnel reduction, other interesting developments are also worth considering.

3.7 **Motivational Strategies**

Wage increases designed to keep workers' pay at pace with the increasing costs of living have been the traditional motivational strategy employed in the Nigerian public service. The practice dates back to the colonial period. However, two issues compound the problem within the present dispensation. The first is the wage restraint policy of the government which is designed to keep inflation down, though as we showed in chapter two this is quite high presently. The lessons of the sudden wage increases of the mid-1970s, an aftermath of the Udoji reform are quite pertinent here. On the other hand, the high inflationary pressures occasioned by SAP had tended to worsen the plight of public servants leading to a massive exodus of scarce skills from the public sector to other countries (a Presidential Report on the brain Drain problem was submitted earlier in 1989) and to the organized private sector.

The Federal Government's policy statement on this dilemma is worth citing:

In the next few years the emphasis will be to hold down the level of public sector employment, mainly through a combination of attrition and extension of the freeze on hiring all but the most critical skills. Wage increases will be allowed during the programme period but at less than the rate of

inflation until the financial situation improves. Substantially, wages for different skills will be allowed to reflect scarcity values (SAP, 1986 p.11)

A general review of wages is ruled out. What the government did under the Elongated Salary Structure was to lengthen the salary structure for each of the 17 Grade levels in the Unified Salary and Grade Structure(UGSS) with appropriate modifications for the public service institutions outside UGSS and an upward review of fringe benefits.

None of these has addressed the problem of salary compression, especially for those with scarce skills. Even the mass of workers are not satisfied with the measures proposed to ease wage erosion. The Nigerian Labour Congress has proposed a 600 per cent increase in the minimum wage to N1,500.- from the present N125 in order to cope with inflation. It recently (Nov 1989) gave the Federal Government a twenty-one-day ultimatum to set up the machinery to negotiate this demand.

One of the positive developments arising from this conflicting pressures to reduce and increase personnel costs is that almost all the levels of government have carried out personnel audits. Such events have provided opportunities to detect the existence of several ghost - (or non-existent) workers. As many as 1,500 were discussed in one state (Anambra). We are, however, not certain whether these various governmental authorities have acquired the capability to regularly update these records.

3.8. **Productivity Levels**

It is difficult to argue especially in the absence of any hard data that the above changes have led to any major changes in efficiency and effectiveness in the Nigerian public sector. There are conflicting subjective appraisals especially of the commercialized parastatals. All that can be said at this point is that there is a greater awareness of the need for efficiency in the operations of the public sector within the main-line civil service institution and in the parastatal and among the citizenry.

In other words to reduce the cost of civil service operations for instance, the Federal Government has withdrawn official vehicles and telephones from all but the most senior cadres. However, in the wake of SAP - related riots in May 1989, the Federal Government was forced to make concessions to officials (a further upward review of allowances on transportation, housing and mid-day meals).

CHAPTER FOUR

THE PARASTATALS SECTOR

The sensitive and expensive 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 most hard hit by the economic crisis. The public enterprise sector is by far more important and vast in Nigerian economy than imagined 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 enterprises sector is very fluid 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, in Nigeria it is noteworthy that although the term 'parastatal' may in the contexts refer to a specific type of public enterprise, 'parastatals' in Nigeria parlance is widely understood as synonymous to 'public enterprises'. Therefore, in this write-up, the two expressions will be used interchangeably to refer to the organizations set up by government, outside the civil service apparatus for business-like pursuit. The sector includes bodies such as public corporations, commissions, boards, councils, state owned companies, joint-ventures involving private shareholders, etc., ...

4. EVOLUTION OF THE COPE AND MANAGEMENT OF PUBLIC ENTERPRISES IN NIGERIA

The number of public enterprises has grown steadily in Nigeria over the years. While the first public enterprises were set up in the country was far back as the end of the last century, it can conveniently be said that the hey-days of their development and expansion was during the 1970s decade 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 (1964/67/70 and 1976) etc. have respectively given an impetus to the proliferation of parastatals, the availability of financial resources has considerably been the most decisive determinant of the dynamism of the sector. In effect, it is this availability of resources that have 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 by the British system of public enterprise, although in practice they often departed from the precepts. These management principles were most prominently enshrined in the important seminar paper No.7 of 1964 the preparation of which

was greatly influenced by the famous British Professor W A Robson. The characteristic features of the management of the enterprises include the heavy reliance on government of the enterprises include the heavy reliance on government funding by way of subsidies, subventions or other grants, to met even recurrent costs, the general laxity in the management culminating in personnel malpractice, 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 Federal Military Government in the management of the key parastatals. We owe to the inquiries on the running of public enterprises in the 1950s and 1960s important documents such as the Coker Report(1962), Elias Report(1960), the 1957 Report of the Tribunal that investigated the conduct of the Premier and other public officers of the Eastern Region to mention just a few. These documents and many others not cited still represent monuments of the atrocities 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 (4) to infuse more discipline and rigour in their management by reducing their managerial autonomy and harmonizing and uniformising their operational conditions. The policy of the Federal Military Government on statutory corporations and state-owed companies (1968) adopted after the famous Ani Report (1967) is a vivid testimony to this second approach aiming at tackling the issue of deplorable performance.

Despite the experience of 1960s which was nothing to write home about, the public enterprise sector developed tremendously in the 1970s as if the evolution was predicated on the attributes of these organizations for effective and efficient management.

Between 1970 and 1980, public enterprises became pertinent instruments of policy as they became the key tools for executing the quinquennium national development plans. Under the Second National Development Plan 1970-74, the development of public enterprises 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 fertilizer industry, food, manufacturing of building materials. The indigenization policy gave birth to many public enterprises and also justified the acquisition of shares in ventures vacated by forcing capital.

This phenomenal growth of public enterprises reached its apex under the Third National Development Plan 1975-80. The architect of this plan, in the person of 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 dominion of 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 and over that of the Fourth National Development Plan 1981-85.

If the economic crisis that set in, in the early 1980s did not allow the execution of the Fourth National Development Plan, the project 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 in 1970 and 1972, to more than 1000 in 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 decade, copied or inspired from the British experience. However, efforts at infusing more rationality and discipline in the management of these organizations led to the introduction of minor reforms. Such reform efforts culminated in the recommendations of the Udoji Report in its chapter 11 in 1974. The recommendation (most of which were accepted by government) related to a classification of public enterprises, to their legal forms and structure, to 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 there and then did not improve in any significant way the performance of public enterprises during the 1970s. the contract syndrome accentuated the financial undiscipline and laxity with the result that the public enterprises were recognized as having little to show for the huge resources invested in them. This poor performance reached its all time lowest level during the civilian administration and partisan politics of the Second Republic (1979-1983).

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 about the ultimate objectives of public enterprises in the Nigerian policy.

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 are 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 that the objective 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 directive 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, equity and welfare in the use of national wealth, planned and balanced development to mention the most important ones. The development in the Nigerian policy and the evolution of the public enterprise sector indicates 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 (broad

membership politics, 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 investment for other integrating the Nigerian economy into the world capitalist system, as an instrument for power building and wealth distribution and circulation for the elites and as an instrument for legitimacy building government. (Laleye, 1986)

This is certainly a very useful contribution not only in explaining the inefficiency and ineffectiveness of public enterprises, but also a useful indicator relating to the import of the economic crisis on these organizations. This is confirmed by the evolution noted in the management principles approaches of public enterprises right from the early 1980s. In effect, 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 Udoji Report to virtually all public enterprises in 1981 under the chairmanship of G O Onosode. The report of this commission (generally refereed to as Onosode Report) constituted an important landmark in the analysis of public enterprise management in this country. Two contributions made by the commission attempted a remarkable. On the one hand, the commission attempted a classification of parastatal 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 parastatals 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 move 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.62).

The shagari administration accepted this recommendation in 1982, but did not find time to come out with a specific policy in this before it was overthrown on 31 December 1983. However, since then, this idea of privatization has gone a long way in this country. The privatization policy constitutes one of the major features of the evolution the public enterprise sector in the closing years of the 1980s. We shall have cause to discuss the evolution of the idea of privatization shortly in some details. 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 the emphasis on the role of public enterprises and their firing out, with a greater reliance on the role of private sector and the 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 into 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..

The 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, 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 orientation has been fraught with considerable contradiction and inconsistency. 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 be as fast declining as one may be inclined to believe at first approach. This implies that enterprises need to be more exhaustive than just considering the privatization process.

4.1. 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, among others. But at the same time, a less apparent implication arising from the consequences of inflations and governmental contractionary budgetary policies on the general public, is that the citizens fee with more pressure the need (in quantity and quality) for the services provided by these organizations, and they care more about value for money. These two implications have invariably led parastatals to review their objectives and goals, 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 the study has no pretension of being exhaustive and some of the points 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 experience, there is also the time and dynamism factor. In effect, the development mentioned as responds to the crisis are considered over a period of almost a decade now, although most of these developments culminated after 1984 and particularly after the adoption 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. 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 tapes or other obstructions and stifling controls in the public enterprise system. Even though they can be subject to controversy and difficult to reconcile with one another, these principles underpin the commercialization policy which has gradually taken shape in Nigeria during the 1980 decade. The objectives of the commercialization policy is to reduce the burden imposed by parastatals on the resources of government, to enhance their efficiency, and the withdrawal of government from activities that are best suited for the private sector. It is against this background in order to achieve those that the following thirteen principles and practices have been inaugurated in the Nigerian public enterprise system.

4.3.1 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 haven for underdevelopment. This idea that they set up to create jobs for the boys fill 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 development in them. The stock taking exercise that followed the fall of the Second Republic serves as an eye-opener to that problem and gives 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 been a continuous event. while accurate total figures are lacking for the whole period, the 1988 figures in respect of the Nigerian Railways Corporation, Nigerian Air Ways and the Nigerian Airports Authority are respectively about 8000, 2500 and 2000. The retrenchment process has gathered momentum with the implementation of the commercialization policy.

For the current year, 950 were sacked at Aladja Steel Company, 3,393 at the Nigerian Airports authority (See Daily Times 3.10.89 and 29.8.89). Nigerian Airways, National Electric Power Authority, are expected to carry out their retrenchment before the end of the year. Even the Nigerian Railways Corporation still has same

number of drivers now there are 33 locomotive in operation as at the time the corporation had 219 locomotives (Daily Times, 21.8.89).

However, the retrenchment policy was not implemented with the same vigor in all the parastatals. For instance, some universities with strong and influential staff unions have successfully opposed the retrenchment exercise per se(2). The workers in Nigerian Railways Corporation have avoided the retrenchment of 8500 by conceding a drastic reduction of their allowances and other fringe benefits. (The Guardian, 8.8.98 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.

4.3.2 **The Removal of Subsidy and Subventions**

Nigerian public enterprises, used to sell some of their services and goods below the costs of producing such goods and series. Government used to subsidize such, in order to make up for the losses. Similarly, 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 resource.

The present administration announced in 1986 the principles of removal of subvention has been totally removed in some places (Daily Times 17.8.89 for 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 all possible (internal) sources and not to depend on government funding alone. The third funds from all possible (internal and external) sources and not to depend on government funding alone. The third effect is that parastatals become more sensitive to better utilization of resources and cost reduction. As each of these effects will be succeeded shortly, one should be contented with emphasizing that in actual fact the principle of autonomy in fixing their tariffs did not apply totally.

Specially, the Nigerian National Petroleum Corporation was not allowed to remove all the subsidy on petroleum products till now. A first increase of prices was allowed in April 1987 and another increase approval and 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. Similarly, as far as the National Electric Power Authority is concerned, it was only recently (July 1989) allowed to increase its fares for all industrial and commercial uses. (See A. Sesan in A.O. Phillips and E.C. Ndkwu (eds) 1988. pp.137-156). This introduction of new tariff structure by NEP 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 wants from it. Government decided the increase of 650 per cent for this category of consumers in order not to let the increase be felt too much by the common man. The Delta Steel Company recently got a grant of N702 million (The Guardian, 5.8.89).

4.3.3 The Breaking of Public Enterprise Monopoly

Public enterprises used to enjoy the protection of government which had been preventing private initiative from 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 (Nigerian Postal Services NIPOST and 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 large evidence that in most cases, competition has forced public enterprises to improve. NIPOST that operates the Express Mail Service, effectively and efficiently is perhaps a good testimony to this.

4.3.4 The Pricing on Commercial or Profitable Lines

Arising from the withdrawal of subsidies and subventions, public enterprises have got 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

Telecommunications Limited(NITEL), the Nigerian Airways, the Nigerian Railways Corporation, state transport corporations, 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, recently the price of natural gas used by heavy energy consumers, like 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, like the Federal Radio Corporation of Nigeria, the Nigerian Television Authority, State Broadcasting Corporations have made important efforts at commercializing 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 purely commercial organization 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. This is perhaps the reason why government watches with keen interest all the moves made by parastatals in this respect.

4.3.5 The Review of Public Enterprises Activities with a View to Ensuring Better Utilization 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 verify their income sources and off-set 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, Zaria.

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

Another example is the Lagos State Transport Corporation which commercialized 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 plan for measure to ensure faster mail delivery are at an advanced stage and NNPC is seeking participation in a Polish refinery (The Guardian, 28.7.89 and 22.9.89).

4.3.6 Aggressive Efforts of Accounts Receivable Management and Debt Collection

Nigerian public enterprises have made to themselves the reputation of keeping very high arrears percentage and a very nonchalant collection policy. However, there

has been a growing awareness, with the crisis, that debts constitute a more reliable and controllable source of revenues in opposition to many other sources of funds. Consequently, it is now being seen that public enterprises make frantic efforts to collect their debts. Prominent among these public enterprises are NITEL, Nigerian Ports Authority, NEPA, Nigeria Airways, Water Corporations, Financial Institutions (Federal Mortgage Bank). Some people have even argued that organizations 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 permeates the whole Nigerian public enterprises system. There is a demonstration effect whereby all parastatals wake up to collect their debts. In a situation like that of Nigeria where the biggest debtors of public enterprises are also generally public enterprises, the positive effect of the aggressive debt collection efforts of central agencies like the Ministry of Finance incorporated (MOFE) charged with the responsibility of managing government investments (by way of equity or loans) in parastatals. It appears that MOFI is becoming also more alert to debt recovery which is an interesting development (Daily Times, 18.9.89 and The Guardian,22.9.89).

4.3.7 The Use of Cost-Reduction Strategies

Reducing the running costs has become a serious concern not only with the elimination of subventions, but with the devaluation of the national currency which has brought up the cost of importing raw materials and equipments. Two strategies are concentrated on now: the use of direct labour system and the local sourcing of materials.

In the past, most of the businesses of public enterprises were done through contracts to private firms. This approach is found to be very costly and some parastatals organize their staff to do the job in a bid to save cost. Kaduana state government had championed this drive toward the promotion of direct labour system (Sunday Tribune, 26.4.87 and Daily Times, 29,8,89). However, this strategy is yet to take root every where if it is emerging as a possible alternative to the contract system which gives room to all sorts of malpractice, particularly because on the other hand it boils down to swelling the bureaucracy.

As far as the local sourcing of materials is concerned, parastatals have no option, as the foreign exchange is not available for the purchase of materials abroad. The resort to imported materials is bound to be reserved for exceptional cases when no

local substitute can be found. The Nigerian Railway Corporation is notorious in using this approach refurbish its coaches. It is also said that this approach is in the spirit of the Structural Adjustment Programme.

4.3.8 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, the maintenance was given special attention as a means of refurbishing some of the plans slated for commercialization and even privatization and making them attractive for investors. Such was the case in Bendel state. The Nigerian Telecommunication Limited is a good example in this respect, in that measures are 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 and preached 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 equipments. (Obafemi Awolowo University is an example with its Central Services Unit).

4.3.9 The Funding of Parastatals Through Loans

In consonance with the developments in the country, public enterprises are being given more powers to raise money for 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 loan 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.

4.3.10 - **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 as citizens feel the economic crunch their expectations for better services and more value for money is on the increase. Consequently, the parastatals can no more continue to ignore them or to take them for granted. In recent times, some parastatals, namely NITEL, Nigerian Airways, Nigerian Railways Corporation and particularly NEPA, have paid special attention to their public relations efforts, by way of intimating the public with their problems and their endeavors to serve them better. A good example is the pain taken by NEPA, have paid special attention to their public relations efforts, by way of intimating the public with their problems and their endeavors to serve them better. A good example is the pain taken by NEPA in explaining, through advertisement in the Newspapers, its tariffs should 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 allotted to institutions that generally constitute the embodiment of public interest.

4.3.11 - **The Relevance of Training Professionalization and Better Remuneration for the Improvement of Public Enterprise Performance**

One feature of the development in Nigeria is the recognition of the crucial role that training and good conditions of service can play for the strengthening of public of public service organizations. This awareness is partly indicated by the emphasis laid on training the 1988 civil service reforms. However, the un denying philosophy of the reforms in this respect, has in actual fact been extended to public enterprises today in this country. Closely related to the importance attached to training is the idea that professionalization (attracting the management of parastatals to professionals) has considerably taken ground even if there are obvious signs that government still overrates the political criterion. The recent incident that led to the suspension of Corporation and the managing director of Nigerian Liquefied Gas Limited is a clear testimony to this development. (The Guardian 29.9.89 and 30.9.89).

4.3.12 - **The Appointment of Sole Administration 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 institutions 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 a sole 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 specific outlined objectives, even if he is assisted, by a Task Force as was the case with the Presidential Task Force which worked with the sole administrator is more conducive to speedier and efficient management. Another good example is in 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. 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, Nigerian Airways is an example of this trend, in respect of pilots salaries.

4.4 **Some Emerging Structure/Institutional Re-organization Patterns**

It is the feature the Nigerian public enterprise sector to be very dynamic and unstable in its organization. But the changes in this sector reached are unprecedented development in the 1980s particularly since 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 platform and the guiding principles of the restructuring. It is against this background that the recent following developments must be understood.

4.4.1 **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 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 capital restructuring needs of the enterprises concerned, to facilitate, carry out the successful public issues of shares of privatized enterprises, to advise on allotment of shares and oversee their sales and to ensure the success of the exercise in total. This committee has been in full activity for more than two years now to perform this function. The general impression is that it is performing creditably.

At the state levels, while state governments have to seek the advise of the Technical Committee on Privatization and Commercialization, they have in their majority set up Inter-Ministerial Committee 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 pointed at the need for pre-conditions such as financial restricting, reduction of governmental controls, management restricting, reduction of governmental controls, management and staff reorganization, marketing strategy, financial accounting controls and the need for a commercialization Task Force. The states being at varying stages of the commercialization process, the required institutions are in the process of being established. 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 Uniughe, Akinola and Co. (Chartered Accountants) to make recommendation for its commercialization.

4.4.2 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 level) have resorted to this approach during the decade. For example, government disbanded the Nigerian National Supply Company, and the various commodity boards because it was assumed that

their functions are better performed by private initiative. However, there are some other forms of dissolution which have given way to another evolution for the parastatals concerned. Attention will be now devoted to such situations.

4.4.3 The Merger of Public Enterprises

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

4.4.4 The Reorganization to Suit Commercialization of Public Enterprises

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

- The establishment of an 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 firm to replace the statutory corporation legal states. 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.
- 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 of 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) given it social service aspect.
- The structural re-organization of the enterprises into subsidiaries, or aiming at strengthening some operational divisions or departments, or the

commercial divisions, through diversification of activities, revamping of inherited projects which are found viable. To cite 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 in 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 have been established since 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(except that of Lafia, 1978).

4.4.5 The Creation of Establishment of New Parastatals

The commercialization policy should not leave us under the impression that the number of public enterprises has been reducing 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 oriented in all the states of the federation. Powerful institutions like the Directorate for Food Roads and Rural infrastructures (DFRRI), the Directorate for Social Mobilization (MANSER) and the National Directorate for Employment (NDE) deserve mentioning. 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 the disbanding of MNSC).

4.4.6 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 even become more powerful. The Case of the Central Bank of Nigeria is perhaps a very illustrative example of this. since 1986, despite the role-regulation of the economy, the powers of the Central Bank have been consolidated. Not only is it now directly under the Presidency, it is to advise, implement and monitor the intensive monetary policies which the administration is surprisingly resorting to. In this process, it has even been brought down to competing with other banks for the parastatals funds

4.4.7 The issue of institutional Framework for Evaluation and Monitoring the Performance of Public Enterprises

Even though no definite satisfactory arrangement is achieved yet, there is a consensus about its need. Efforts at state level through the Parastatals Department of the Office of state governor and at federal level, with the Ministry of Finance Incorporated, the establishment of Parastatals Department of the office of the President and the Statutory corporations and Agencies Department (25.2.87) are worth mentioning. The problems arising from these arrangements notwithstanding, the emergence of a viable framework is no more distant dream.

4.5 Redefining the Scope and Re-orienting the Role of Government Through Public Enterprises

The ultimate objectives of whatever changes took place in the Nigerian public enterprises sector over the last 10 years or so, is to redefine the scope and orientation the role of government in the policy. The policy of commercialization and privatization certainly constitute the quintessence of the new direction in which government is moving, and it epitomizes the major key issues arising from this process of redirection. With any pretention of taking stock of the commercialization and privatization process which is actually on in the country, it is the intention in this section of the report to highlight a few points relating to the way in which this process has actually assisted or is actually assisting in folding back the frontiers of the state and changing the principles of government intervention in Nigeria.

4.5.1 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 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 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 could be initiated till 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, inter alia.

To 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 91984 Report p.1)

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

- (i)Government should adopt the principle of selective privatization as a policy measure which could prompt each parastatals to perform better and save public funds;
- (ii)Privatization should only be pursued where conditions are favorable and where vital national interest will not be jeopardied;
- (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 service and 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% share holding 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, p. 52-53).

The little that could be said about these conclusion and recommendations is the study-group has demonstrated enough caution in its attitude and has defected the complex nature of the idea. The Buhari administration accepted the recommendation in principle and even insisted that privatization should be seen as a gradual process and each case should be considered its merits and 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 salaries drawn up by the study group and indicated that government 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 (that investment) so that people who brought 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 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. (italics added).

This statement of policy raises some fundamental questions which make it difficult to fully rationalize 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 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 undermine greatly the state control of 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 tribulations and hesitations of the policy. Furthermore, when one considers the list of the enterprises to be affected, one become convinced that definition of "strategic" "non strategic" and "commercially-oriented" leaves 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 rationalize 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 to understand what government is actually after. A

summary of the share reduction places in the privatization and commercialization decree is presented below.

In a nutshell, the policy of privatization and commercialization, as it were, is embedded in a serious lack of conceptual clarity and consistency. As a result of this, policy instruments have been and to find or device 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.

4.5.2 The Diversity of experience in the country

Even though such a conceptual has been prevailing, 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 subventions and subsidies from government. The peculiarity of the problems and option 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 enough indications about the diversity. In order not to repeat what has been said before, suffice it to mention that a multitude of approaches and modalities were adopted to turn down the size of government in business, in consonance with the idea of privatization and commercialization.

As far as the approach is concerned, it was a piece-meal approach to begin with, whereby the federal government and various state governments after studying the problems of a particular parastatal on its merit decided to review the ownership or share holding structure by inaugurating a programme of divesture. For instance, in 1985, the Board of Directors of Kwara Breweries which predominantly belonged to Kwara state government, in view of the problem of the company suggested that it be privatized. The modalities of this wee worked out in 1986 and recommendation was made that the share of the government be reduced to 40 per cent and the remaining sold to the public. The government of Kwara state gave instantly its consent and the privatization proces was set into motion unfortunately with little positive result until very recently. It is the same piece-meal approach that the kwara state has adopted in selecting many other of its public enterprises for privatization, after consideration recommendation 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. Oirimah,1989).

A second approach adopted is the comprehensive approach consisting in determine 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 recommendation on the matter. Seven enterprises were recommended for privatization. The recommendation was considered by the state government in June 1987 and decision was taken to reduce equity holding in companies where it is owning more than 25 per cent. The implementation of this policy had to meet with serious problems. (See J A Adeleye

1989).

A third approach is a mixture of the two preceding approaches, with varying degrees of either, Bendel state and the federal government have for instance adopted this attitude. In effect, 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 30 per cent share in any commercial/industrial venture. At the same time when this decision was reached, Bendel Wood Industry Ltd, Bendel Laundry, for example, were sold out to private concern, Oil Palm Plantation, Obaretin and some branches of Bendels Hotels Ltd were hired out to private business men on annual fee 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-commercial committee to advise on privatization, commercialization and government joint ventures with private investors. Similarly, at the wake of the Structural Adjustment Programme, the federal government summarily sold Madara Limited (a diary company), Manchok Cattle Ranch, etc., in 1986, long before the privatization and commercialization policy was systematically organized through the Decree No. 25 of 1988. It also disbanded the various Commodities Marketing Board (Cocoa, cotton, groundnut, palm kernel and soya beans).

Like the approaches, the modalities of the privatization and commercialization process also varied widely and include the following:

- Hiring out public enterprises to private management on a variety of terms;
- Reduction of government shares and incorporation of such enterprises that are not already incorporated under the Companies Act of 1988. This capital restructuring did not follow any uniform and rational pattern, but it is expected to lead to significant management structure 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.

Space will not permit to substantiate and illustrate more these modalities further.

4.5.3 The Inconsistencies and Contradictions of the Privatization and Commercialization Policy

In discussing the herifatious and vagaries that surrounded privatization and commercialization, it was shown that the policy was embedded in serious inconsistencies and contradiction. These also explain to some extent, the diversity of experiences with regard to privatization and diversity of experiences with regard to privatization and commercialization in the country. The objectives here is 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 Adeley 1989). In other words, the redefinition of the scope of government is yet to imply a dimension of public investments in parastatals.

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

Thirdly, the concept of commercialization has been in a permanent 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. (see table 21, preceding).

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 but rather it might have increased contrary to the normal expectation in a situation in which so much publicity is made in connection with the firming out public enterprises, in effect not only is the firming out too slow, but new parastatals have kept on emerging in various sectors. (MAMSER, NDR,

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 resource mobilization and utilization. (The Guardian 25.8.89).

CHAPTER FIVE

Education Service Management

The education sector is one area in which the real effect of the economic crisis is difficult to establish definitively. By its nature, a lot of sentiment is usually attached to education. It therefore readily attracts the attention of politicians who are ever ready to manipulate the situation to their advantage. 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 chapter concentrates on this problem under SAP conditions.

5. Background 1975 - 1983

Government involvement in education in Nigeria dates to a very long time, but it was not until the 1970s that it really assumed a phenomenal dimension. The old Mid-Western state, for instance had only two secondary schools that were run by the state government before 1973. The oil boom changed everything. Thus by 1975, the landscape of educational funding and administration in Nigeria had changed entirely to one of a strong government presence.

The Universal Free Primary Education Programme was launched in 1976 under the auspices of the Federal Military Government. With this, enrolment in primary school increased from about 6 million in 1975/76 to about 8 million in 1976/77. School enrolment had indeed increased progressively since then. Although not in relative proportion, this development at the primary school level had some multiplier 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, in the conviction of its financial strength also took-over all the universities in the country and declared free undergraduate tuition and highly subsidized maintenance facilities for all university students.

But this buoyant financial situation was short lived. Indeed, the Economic Commission for Africa (ECA) had as late as 1975 warned that hard times were imminent for African countries (Adedeji and Shaw, 1985). The federal military government started to gradually withdraw its support for the education sector in about 1977/78. Maintenance cost in the universities was increased. However, the fact that this decision sparked-off a bloody student crisis together with rising students enrolment especially at primary school level meant a radical shift in policy was unfeasible.

The really power 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 equally imposed a huge burden on government in terms of funding and overall quality (Ayo, 1988).

The result of all these is that the educational sector failed to manifest any significant financial decline even though government was lamenting a decline in its financial resources. In 1979, grants per primary school pupil was increased from N35 to N40 per annum. Also in the federal government recurrent expenditure for the same year, education had 11.2 per cent with a separate vote of 18.8 per cent for the UPE programme. We see indeed that financial allocation to the sector increased sharply from 1979, with the states of Oyo, Ondo, Ogun, Bendel and Lagos recording enormous increases as a result of their policy of free education.

It is important to note that these development 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 1980-84. 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 school, and between 1980 and 1981 alone, their total enrolment increased by about 20 per cent.

In spite of an initial resistance by the Senate, the federal government also proceeded with the establishment of an Open University in Abuja. Seven new Federal Universities of Technology equally took-off, the 1981 Budget, for instance ensured 64 per cent of total recurrent expenditure and 54 per cent of capital allocation in the education sector for the university system. In the same vein, N22.5 million was earmarked for scholarship in 1982 and N446 million allocated to all universities' recurrent and capital needs. Besides, about several 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 are several complementary efforts at other levels.

For instance, between 1979 and 1981 alone, the federal government set up seven new Advanced Teachers' Colleges, two National Technical Colleges and one Advanced Teachers College for Special Education. As earlier noted, state government were not left out of the rush at the post-secondary school level.

Eventually 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. A prominent education has opined that credit for the policy is often given by default to the military, but it is the civilians who actually tried to implement its main elements (Omolewa,1987). Most of what has been said so far fall in line with this policy. One gets the

impression that the formulators anticipate the crisis of the 1980's and consequently incorporated a number of relevant elements. The call for a National Policy had been made as early as 1971 by the then Federal Commissioner for Education. But it was between 1973 and 1977 that the actual formulation and adoption took place. (National Policy, 1981)

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

We see that the purpose of this policy is to produce an educated and skilled person that is socially relevant and self-reliant. It is to break away from the previous educational tradition under which each child was prepared for a white-collar job. To emphasize that the attention is not on the child alone. To emphasize that the attention is not on the child alone, the federal government launched a National Adult Literacy Campaign in 1982. Undoubtedly, this policy embodies the spirit of the different strategies being worked out in response to the prevailing crisis. (Oyedepi, 1983)

As attractive as this policy is however, it would appear that practical aspects of its implementation, further compounded the educational burden on the second republic politicians. It is a fact that the policy implies enormous government financing in establishment of schools and in terms of the procurement of the technical equipment for the training of pupils especially at the senior secondary level. Unfortunately, the latter aspect is less politically attractive. Thus, although the federal government was initially enthusiastic in making some money available (it even set up a Book development Council), things became harder as the economic crisis grew worse. This, as we shall see, meant greater burden on the state and local governments also. (Lagos state Education Policy, 1988).

The foregoing is only a brief summary of the many changes which took place in Nigerian education up till 1983. The important point that is being made is that the educational sector was at this time highly politicized. Consequently, student enrolment and resulting financial burden increased despite a manifest crisis in the economy.

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 adjustment 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. We have 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.

It is obvious that the phenomenal rise in enrolment will be accompanied by corresponding increases in the number of schools and teachers. This alone needs not aggravate government's financial burden. What it really did is the fact that the educational policy was almost entirely government centered. 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 government refusal to grant permission. The federal government subsequently went ahead to promulgate a decree making private universities illegal.

In this circumstance, the management of education became unduly centralized 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, the continuing Education Board to also 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.

Another interesting feature of Lagos state education during the period was the powerful position of the Schools Management Board. This situation was a direct result of the personnel burden education placed on the state government. The Board was not only responsible for the appointment, promotion, transfer, discipline and welfare of teachers, but also the main agency to ensure the provision of school buildings, furniture, equipment and examination materials, undertake 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 even worse. The Federal Ministry of Education enlarged from an approved personnel strength of about 2,550 in 1973/74 to about 12,384 in 1983, bringing all the federal educational institutions all over the country under its umbrella.

5.1 Educational Policies at the Onset of the Economic Crisis

As the economic crisis became more obvious the rigidity of this operational system was more manifest. Government bureaucratic approach encouraged a lot of waste and duplications. Poor control and supervision became the fashion. Hence even in crisis, cost-efficiency could not be realized. 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 became 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 salary had stressed the necessity for corresponding attention to other aspects of the university system especially insurance of 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 levels. 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. There was 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 off than 'cowshed'. Lagos state in fact adopted a policy which upheld substandard physical conditions as a rational cost-saving device. In the same vein, all the states on 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, so did morale of teachers and school workers fall. By December 1983 when the second republic experiment came to an end some state governments such as Ondo 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 come against economic realities.

5.3. The Era of Draconian Policies

1984, as Adebayo Adedeji has pointed out is probably Africa's worst year in the 1980's. (Adedeji and Shaw, 1985). The military effectively returned to power at the beginning of 1984. Thus it inherited not just the problems already catalogued. It became faced with an economic condition that had further worsened. We must not forget the fact that the

social situation which prevailed remained disposed to the need and possibility of government to fully fund education (Omolewa, 1987).

One of the first major tasks of the New Bhari 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 of the educational sector. As it turned out, the government lacked any such rational and systematic solution. Instead, the government assumed a draconian posture and tried to force every desire it sought 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. It remained in fact so till 1985 when the government was again overthrown.

In the meantime, as table 22 shows, enrollments remained on the high side. Government resorted to the merging of schools or refused to establish new ones in response to any additional increase in enrolment. Thus for instance 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, about 15 per cent of the national budget still had to be spent on education in 1984. Government consequently resulted to a more aggressive policy to get parents and the private sector involved in the funding of education. This is how levies and fees severely condemned by a 1984 release of ASUU came about (ASUU, 1984). Government simply made it clear that all forms of lavish government subsidies were now things of the past. At the post-secondary school level, 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, no one disputes the fact that the military government pursued policies which were rather harsh and obviously in sharp contrast from what the people had got used to in the preceding regime. The architects of the coup which ousted the Buhari government said as much when they effected their change in August 1985. (Nigerian Dailies, 26 August 1985)

5.4 The Structural Adjustment Programme

The realities of Nigerian education since the present Babangida administration came to

power is not so much one of an end to the hardship inflicted by the Buhari regime, but a determined effort to locate the sector on an integrated economic reform package. As have been said, Nigeria formally adopted the Structural Adjustment Programme(SAP) in 1986 with the three prolonged objectives of 'economic reconstruction, social objectives and self-reliance. We discuss the effort to reconcile education with these responses take in ultimately practically all of the measures adopted in the past.

5.4.1 Privatization of the Sector

There has been a clear and definite attempt to retain the private-sector 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, government has given particular support endowment programme or the other. In at least four, namely, Lagos, Ibadan, Zaria and Nsukka, private individuals have been encouraged to launch special professional chairs. 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 patronized these units well enough, it does seem that the most serious constraints of these units is their centralized structures which, as happened in Ife, gives individual departments little autonomy to market their competence.

5.4.2 Construction of Government Services

Government 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. Government is also being very circumspect in the establishment of new educational institutions. In 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, whereas the federal government has forced the states to restrain themselves (as in the case of the proposed Oyo state University), it has not always kept to this rule. In 1985, it was decided that a decision contrary to the universities of technology established by the Shagari administration be merged. As a result, their number was reduced to poor, but in 1987 government resuscitated two to full fledged specialized universities of agriculture. The federal government justifies these new universities on grounds of the prevailing demands for stronger attention to rural and agricultural develop. 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 salary seems to have been definitively resolved. The issue of incentives has been differently tackled largely because most the people are affected by varying state policies. But it is still quite common for primary and secondary school teachers to remain unprompted 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 have refused to implement nation-wide reviews of fringe benefits such as the meal subsidy and leave bonus.

It is not-worth that the federal government thought it fit to sponsor a nation-wide public service review of salaries and fringe benefits in 1988. Teachers have benefitted from this in full at the federal level. But there have been widespread complaints about the overall effect on the previous disparities between different levels of worker. For instance, the claim is that the new salary structure places 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 sum total of these is that the research and teaching conditions of the universities have barely improved on 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. In 1988, government also dimystified the pre-eminence of the university by extending the same salary conditions to colleges of education and polytechnic. 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 excellence of the university system. Evidently, with the already poor working conditions, not much incentives for research exist in the universities. Arguably, too, this situation is directly correlated with the brain drain problem which, by governments' own account, has become worsened since the adoption of SAP. (Ayeni forthcoming)

5.3.4 **Management of Students' Unrest**

It is not only university teachers that have been made restless by the military government policy measures. Students, too, have in recent times become quite cantankerous. Nigerians have lost count of the number and frequency of students unrests that have occurred 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. By implication, of course, the original motivations are sometimes domestic problems of the initiating institutions.

The most recent of these unrests took place in June 1989 against SAP. It was so devastating in its effect. In response, government hurriedly announced a relief package which has affected all sectors. With respect to education, all government 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. The President has also promised to directly supervise an investigation into the problems of university students. It is possible that the President's promise is a ploy for the federal government has also stepped-up efforts to provide a legislative solution to the incessant unrests.

The paradox of students' unrests is that they invariably worsen the already bad state of the educational sector. Dwindling institutional facilities are usually vandalized. And worse still, academic schedules have become very uncertain and often severely shortened to accommodate long closure of institutions. One gets more worried when it is realized that teachers at the lower drawn from this confused higher educational system. Perhaps, the greatest concern that should be expressed is that a culture of unrest and vandalism is fastly taking root in the system. And as the 1989 unrests revealed even secondary and primary school pupils are catching up with this habit. Needless to say, Government crisis management measures are yet to address this basic perspective.

5.4.5 **Special Budgeting Provisions**

Another policy response of government to the educational sector is a special budgetary provision. This allocation has been directed at recognized crisis areas. Thus in 1986, some sum was drawn from the Economic Rehabilitation and Recovery Fund for overall revitalization 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 Polytechnic and Colleges of Education, while in the current (1989) budget focus is on primary

school education. Indeed a Primary School Education Fund as well as a Commission have been established. The import of these lies in the parallel attention the military government is paying to local governments as the effective third tier. The fund will ease local governments of the crushing burden of primary educational funding and thereby make them more capable of promoting other pressing areas of development.

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 the emphasis on technical and vocational training. The problem of teaching materials has been further compounded in the post - SAP period by rising cost of paper and printing materials which in turn have caused severe scarcity of text books. The Federal Ministry of Education has recently (1989) tried some marginal rescue operation through a special grant to the National Educational Research Council to directly supervise the production and purchase of basic text-books.

5.4.7 Special Educational Problems

This, which also relates directly to the National Policy, is the pursuit of the self-reliant component of SAP through the promotion of special but hitherto neglected areas of education. These notably are 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.

5.4.8 Administrative Responses

The last policy area is the administrative arrangement for the pursuit of all that have been discussed. The ministries of education remain at the centre of educational management. This has made SAP's inclination towards decentralized operations somewhat unperceptible. 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 with eleven non-ministerial agencies. For example, the National universities Commission have assumed more and more powers over the years with the result that the universities today possess little autonomy. The situation is most disheartening in regard to academic matters, an areas in which the NUC now feels free to dictate to the universities (views of visitation panel reports of University of Ibadan and OAU,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 educational programmes under an identical structure, although one must expect more variations when civilians assume power fully in 1992.

A notable feature of the reform is the emphasis for more than before on staff training and development. This is one aspect in which the World Bank in one of its reports has identified as a priority area to ensure improvement. (World Development Report 1983). Beyond theoretical expectations, however, the overall effect of the reforms, as have been pointed out, remains hazy. What is more the implementation of the reforms is coming up to be quite demanding financially and otherwise. And apparently, this reality is retarding the expected momentum of the implementation process.

CHAPTER SIX

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 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 Nigerian public service. The second part contains specific case-studies aimed at highlighting the peculiarities of the selected sectors.

From the overview, the Nigerian economic crisis since 1980, has been a profound one, a crisis that has been further complicated by the mismanagement of the economy. This has manifested itself in the slow growth of output in almost all sectors of the economy, a deep foreign exchange crisis, rising unemployment and rising inflation, rising cost of living deteriorating standards of living, as well as a heavy debt servicing burden. These problems promoted the programme of economic recovery called the Structural Adjustment Programme(SAP) launched in July 1986 and which placed emphasis on reliance on market forces. The implementation of SAP has led to serious distortions (inflation) and marginal gains. 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 go in a situation where there shortage of financial resources becomes the compelling factor in economic policy and administrative responses.

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.

These parts 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 been much consistent, with the result that despite the hue and cry about privatization and commercialization, government seems to have retained (if not increased) the importance of parastatals and it is becoming apparent that there are obvious limitations obstacles to making parastatals profitable.

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

All told, this study leaves us in no doubt that the economic crisis has had some marked impact on the Nigerian Public Service System. However, it does not appear that the pattern of this impact has taken any constant shape. This is obvious when we relate the different findings to the model set-up in chapter one. Thus, for instance, we find that the parastatals sector has been subjected to privatization at about the same time that government has 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 to handle mass transit programmes.

Two significant factors appear to have been responsible for this inconsistency. The first is a fundamental inconsistency in government's main economic policies. In several regards, SAP's logic has been contradicted by certain actions of government with the result that the role of market forces is often subverted. Similarly, institutions that ordinarily should receive attention were SAP taken to its logical conclusion have often been disregarded. The situation of the university system is illustrative here.

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 economy cannot be the only determinant of government policies and actions. As we find with education and several of the other socio-economic areas, rational calculation have often given way to various political considerations. More importantly, the relatively underdeveloped nature of the indigenous private sector imposes additional responsibilities of the public service, even within the framework of a free-market economy.

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 needed. But given the fact that we must depend on the present to reach the future, there is an evident fear of vicious circle in which the state of the present public service retard the realized of future expectations.

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 keeps as much as possible to the logic of a free market system. Accordingly, the public service institutions need to emphasize contraction but also an efficient and productive use of what remains as well as strong adherence to decentralized and people-oriented strategies.

