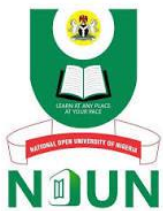


**COURSE
GUIDE**

**PAD 306
DEVELOPMENT ADMINISTRATION**

Course Team Prof.Adam Adem Anyebe. (Course Writer)
Prof. Yemisi Ogunlela and Dr Musa Zakari
(Course Editors)



NATIONAL OPEN UNIVERSITY OF NIGERIA

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National Open University of Nigeria
Headquarters
University Village
Plot 91, Cadastral Zone
Nnamdi Azikiwe Expressway
Jabi, Abuja

Lagos Office
14/16 Ahmadu Bello Way
Victoria Island, Lagos

e-mail: centralinfo@nou.edu.ng

URL: www.nou.edu.ng

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INTRODUCTION

Development Administration (PAD 306) is a three (3) credit unit course available to undergraduate students, undergoing a B.Sc. degree programme in Public Administration. The course provides an opportunity for you to acquire a detailed knowledge and understanding of the concepts and theories in Development Administration as they affect public organisations in Nigeria and other countries of the world. It will assist you to be able to apply these concepts and theories to the task and roles that they perform as an administrator in public sector setting.

COURSE GUIDE

PAD 306: Development Administration introduces you to various techniques, guides, principles, practices, etc. relating to public administration as it is practiced elsewhere.

The purpose of this course is to present an explanation of development administration starting from its emergence, meaning, nature and scope as well as theoretical perspectives on the field. Related concepts and theories of growth and development are well explained for your understanding. Public service which is used as a vehicle for translating its policies and programmes into concrete actions are enunciated especially in Nigeria while public enterprise and its reforms are well explained.

This course guide provides you with the necessary information about the contents of the course and the materials you will need to be familiar with for a proper understanding of the subject matter. It is designed to help you to get the best of the course by enabling you to think productively about the principles underlying the issues you study and the projects you execute in the course of your study and thereafter. It also provides some guidance on the way to approach your Self-Assessment Exercises (SAEs). You will of course receive on-the-spot-guidance from your facilitators, which you are advised to approach with all seriousness.

Overall, the course guide tells you briefly what the course is about, what course materials you will be using and how you can work your way through these materials. It suggests some general guidelines for the amount of time you are likely to spend on each unit of the course in order to complete it successfully.

COURSE AIM

The course aims to introduce you to the meaning of development administration, theoretical perspectives in the field, what they are and how they can be applied in everyday administrative activities. It also aims to help you develop skills in the public sector management. You can as well apply the principles to your job as policy-makers, top management of public organisations in both the private and public enterprises.

MEASURABLE LEARNING OUTCOMES

Upon successful completion of the five (5) modules, you will be able to:

- explain the emergence and meaning, nature development administration.
- explain the nature and scope of development administration.
- explain the various criticisms levelled against development administration and the differences between it public administration
- describe the environments of development Administration.
- describe the evolution of development administration.
- explain related concepts and theories of development
- discuss theories of development and growth.
- define planning and explain at least five (5) types of planning and be able to explain public enterprises.

COURSE AIM

The course is aimed at acquainting you with what development administration is all about and helping you acquire the skills to be applied in public service especially in decision making. In order to achieve the aim some important background information will be provided and discussed, including emergence of development administration, its definition, nature and scope, as well as theoretical perspectives underpinning the field. Public service and public enterprises will also be examined.

STUDY UNIT

MODULE 1

Unit 1 Emergence of development administration

Unit 2 Environments of Development Administration

Unit 3 Evolution of Development Administration and challenges

Unit 4 Related Concepts

Unit 5 Theories of Development & Theories of Growth

MODULE 2

Unit 1 Meaning of Planning

Unit 2 Types of Planning – Indicative, Imperative & Totalitarian

Unit 3 Types of Planning contd – Democratic, Rolling &

Unit 4 Types of Planning contd – Centralised & Decentralised

Unit 5 Types of Planning contd – Planning in a Mixed Economy
And Development Planning

MODULE 3

Unit 1 Development Administration: Nigeria's Experience

Unit 2 Nigeria's Experience - 1962-68 Plan, 1970-74 Plan & 1975

Unit 3 Nigeria's Experience - 1981-85 Plan & Three-Year Rolling

Unit 4 Nigeria's Experience – Problems

Unit 5 Prospects of Planning in Nigeria

MODULE 4

Unit 1 Evolution of Public Service

Unit 2 Public Service Reforms

Unit 3 Public Service Reforms contd - Institutional Arrangement
for Reform Implementation

Unit 4 Salient Reform Policies

Unit 5 Reforms in Nigerian University System

MODULE 5

Unit 1 Nature and Scope of Public Enterprise

Unit 2 Evolution of Public Enterprise

Unit 3 Kinds of Public Enterprises

Unit 4 National Policy on Public Enterprises & Structure

SELF-ASSESSMENT EXERCISE (SAES)

Two Self-assessment Exercises each are incorporated in the study material for each unit. Self-assessment Exercise assists students to make a realistic assessment of themselves based on their own performances and to help them improve on their work; acquire the skills of reflection and self-monitoring; learn academic integrity through student self-reporting of learning progress; develop self-directed learning; increase student motivation as well as helping them develop a range of personal, transferrable skills.

SUMMARY

Each unit contains a summary of the entire unit. A summary which is a brief statement or restatement of main points, especially as a conclusion to a work ensures a summation of a unit; and a brief detailed outline using heads and subheads.

POSSIBLE ANSWERS TO SELF-ASSESSMENT EXERCISE(S) WITHIN THE CONTENT

The materials contain possible answers to self-assessment exercise(s) within the content. The possible self-assessments answers will enable you to understand how well you're performing in the contents. It is a way of analysing and synthesing your work performance and showing areas of growth which are reflected on your strengths and your weaknesses. Values and accomplishments can help you determine what goals to work toward next.

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COURSE**

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MODULE 1

UNIT 1 Emergence of Development Administration

Unit Structure

- 1.1 Introduction
- 1.2 Learning Outcomes
- 1.3 Emergence of Development Administration
 - 1.3.1 Emergence of New States in Asia, Latin America and after the World War II
 - 1.3.2 Emergence of International and the United States and Technical Plans for Assistance to Developing and Establishment of the Comparative, Administrative Group.
- 1.4 Meaning of Development Administration and its Perspectives
 - 1.4.1 Meaning of Development Administration
 - 1.4.1 Theoretical Perspectives on Development Administration
- 1.5 Nature and Scope of Development Administration
 - 1.5.1 Nature of Development Administration
 - 1.5.2 Scope of Development Administration
- 1.6 Summary
- 1.7 References/Further Readings/Web Resources
- 1.8 Possible Answers to Self-Assessment Exercise(s)

1.1 Introduction

You may be wondering what the concept of development administration means and how it emerged. Actually, the concept of development administration is of a recent origin. An Indian scholar, Goswami was said to have coined it in 1955 but later popularised by scholars such as Riggs, Heady, Esman, Pye, Weidner, Fainsod, and Montgomery. In fact, the conceptualisation of the concept was done by western scholars, especially American scholars.

The concept, itself, is used to refer to the directly government-led effort to intervene in the process of socio-economic development of a nation. Modernisation, socio-economic development, institution-building, and creation of an integrated political community are regarded as the concerns of development administration. It is basically, concerned with the will to develop, mobilise existing and new resources and acquire appropriate skills to achieve development goals. The concept has been defined as a system of administration geared towards development and it is characterised by innovation and social engineering. The crux of development administration is therefore, societal change in the direction of modernity.

This unit will focus on emergence and meaning of development administration, as well as its nature and scope. This will help you in understanding the concept properly.

1.2 Learning Outcomes

By the end of this unit, you will be able to:

- discuss the factors that contributed to the emergence of development administration.
- analyse the meaning of development administration
- evaluate the nature and scope of development administration

1.3 Emergence of Development Administration

Self-Assessment Exercise 1

- i. Explain how the establishment of the Comparative Public Administrative Group (CAG) contributed to the emergence of public administration.
- ii. Explain the contributions of the independence of new nations following World War II to the emergence of development administration

1.3.1 Emergence of New States in Asia, Latin America and Africa after the World War I

The field of Development Administration can be said to have started in the developing countries after the World War II. The period of fifteen years following the end of the war in 1945, colony after colony started agitating for independence to throw off the imperial yoke, and many of them especially in Asia, Latin America and Africa achieved it. This new status gave promise of freedom and liberty and self-determination in political systems of representative democracy. It also gave hope of greater individual freedom and equality of treatment in the society.

Although these countries emerged as politically independent states out of their dark colonial experience, they had huge challenges such as poverty, illiteracy, poor health facilities, and low agricultural and industrial development as well as socio-political instability. Obviously, the task of development in the new nations was a challenging one. First, unlike in the advanced countries where the pressure on government was for more social services for a society already at an advanced stage of development in which most of its members possessed and enjoyed the basic necessities for a decent life, in the new nations, those basic necessities were either minimal or non-existent, for vast majority of the population (Anyebe, 2001:9).

Moreover, the task of development was an urgent one since upon it depended on the very survival of the nation itself. The immediate task before these new nations therefore, was to bring about accelerated socio-economic transformation and nation-building through planned change.

Meanwhile, the masses had been led to expect that independence would bring about an immediate improvement in their living conditions. The non-realisation of these expectations would in turn breed a mood of impatience. Unless, improvement could be effected as speedily as possible, this mood of impatience might explode into violent reactions which would endanger, if not destroy the state itself. It was therefore felt that the traditional model of public administration would be inadequate in providing guidelines for building a nation-state out of the traditional society.

1.3.2 Emergence of International and the United States Economic and Technical Plans

Emergence of International and the United States Economic and Technical Plans for Assistance to Developing Countries and Establishment of the Comparative, Administrative Group.

After the World War II some scholars especially from the United States began to show interest in developing nations and their political and administrative systems for certain reasons. The emergence of international and bilateral plans for technical assistance to developing countries was a major reason for increased attention to development administration. Many development schemes were undertaken with the assistance of the United Nations and the United States foreign aid economic and technical assistance programmes in the developing countries in the 1950s and 1960s. However, these schemes failed to produce the expected results and this explains the increased interest demonstrated by the American scholars in the administrative systems of the developing nations.

It was reasoned that a technocratic bureaucracy following rational-legal principles as set out by Max Weber would be all that was needed to overcome tribal authority and superstition, combined with the application of technical expertise to agriculture and industries. Thus, government became the dominant player on the economic scene, controlling the commanding heights of the economy. It became the prime agent of socio-economic development, providing infrastructure, and producing goods and services, often provided through the mechanism of public enterprise. This led to a rapid development of the public enterprise sector and by the early 1980s a huge sector was firmly

established in most of the countries. In summary, the main reasons for the birth and growth of the concept of development administration are:

- The emergence of new states in Asia, Latin America and Africa after the World War II;
- The emergence of international and the United States economic and technical plans for assistance to developing countries; and
- The establishment of the CAG and the interest shown by its members for developing countries and their administrative systems.

Because of these factors, development administration has grown to become a dominant issue and has acquired huge importance in the developing nations. For example, Tanzania's 400 state-owned enterprises accounted for 38% of gross fixed capital formation, and a similar level in Ethiopia (Jorgensen, 1990:62). From the late 1960s, the public enterprise sector in Zambia constituted about 80% of all economic activity with the private sector accounting for the remaining 20% (Kaunga, 1993). The sector was structured with one enterprise, ZIMCO, a holding company, controlling the other enterprises and with the government in turn, particularly the Zambian president controlling ZIMCO. This meant the government, particularly the president, could control the overwhelming proportion of the economic activity, as well as political activity (Anyebe, 2001).

Nigeria had an estimated 50 public enterprises at independence and about 200 by 1970. When the country embarked upon an economic reform Programme in 1987, the number had risen to about 1,500. The factors that account for the phenomenal increase include the evolution of the federal administrative structure (from three units in the 1950s to four in 1963, twelve in 1967, nineteen in 1976, twenty-one in 1987, thirty in 1991, and thirty-six in 1996), the oil windfall, and successive governments' commitment to making public enterprises as an instrument of state economic intervention in the 1970s. The extent of control was such that by 1987 the estimated, 50 public enterprises (PEs) at independence which had risen to about 1,500 spanned such sectors as telecommunications, electricity, petroleum, fertilizer, machine tools, gas, solid minerals, steel and aluminum, media, hospitality industry, banks and insurance companies, transportation including aviation, paper mills, cement, sugar companies, agro-allied industries, trucks and motor vehicle assembly plants, river basin development authorities etcetera. It is estimated that successive Nigeria governments have invested up to ₦800 billion in public enterprises (Anyebe, 2012). The sector attracted the majority of government capital expenditure, with more than 80% in 1980 and it accounted for more than one-third of the modern sector employment (Layele, 2002).

There were therefore, justifications for this large-scale use of public enterprise to accelerate the rate of development by the new nations. The exigencies of national sovereignty, national independence and national pride made the governments of these countries foreclose the option of opening up their economies to competition, given the chronic shortage of capital and capital markets. Private ownership under this circumstance would necessarily mean foreign ownership. The justification can also be traced to the management of the consequences of World War 1, especially the economic crisis of the 1930s. The experience of the great depression had, apart from other things, one major effect. The faith in laissez-faire state, a fence sitting state not actively intervening in the economic life to control the functioning of the market, was shaken. One lesson learnt was that economic development could not be left wholly to the private enterprise based on the free market and the state had a role to play in it. The spread of Keynesian interventionist ideas further promoted a rapid development of the public enterprise sector. United Kingdom and France exhibited high levels of statism in the 1950s and 1960s and perhaps, the developing countries thought that by emulating administration apparently successful in the countries of the former colonial powers they could imitate their economic success. Finally, the emergence of the CAG and the interest shown by its members in the new nations and their administrative systems contributed to the growth of this concept.

1.4 Meaning of Development Administration Theoretical Perspectives

1.4.1 Meaning of Development Administration

There is no dearth of definitions of development administration. Different writers have defined it in different ways. Development administration has been seen as a specialty within the broader field of public administration, which developing countries have adopted to 'modernise' their economies, to be equivalent, eventually, to the West. Along a similar line of reasoning, Gant (1966), sees the field as that aspect of Public Administration in which focus of attention is on organising and administering public agencies in such a way as to stimulate and facilitate defined programmes of social and economic progress. Pai Panandiker (1964), says it is mainly the administration of planned change. Swerdlow (1975) asserts that development administration is administration in poor countries, while Abdulsalami (1998) views development administration as a system of administration, which focuses on the relations between administration and economic development. Beyond the concern for maintaining law and civil order, and the collection of revenue (the preoccupation of traditional model of

public administration) this model of administration is particularly concerned with the array of functions assumed by developing countries embarking on the path of modernisation and industrialisation.

This way of conceptualizing development administration is in agreement with the view of Fainsod (an early writer on the subject) who emphasises the innovating thrust of development administration by stating that:

Development administration is a carrier of innovating values. As the term is commonly used, it embraces the array of new functions assumed by developing countries embarking on the path of modernisation and industrialisation. Development administration ordinarily involves the establishment of machinery for planning economic growth and mobilising and allocating resources to expand national income. New administrative units, frequently called nation-building departments are set up to foster industrial development, manage new state economic enterprises, raise agricultural output, develop natural resources, improve transportation and communication network, reform the educational system and achieve other developmental goals (Anyebe,2017:7-8).

Montgomery says development administration means carrying planned change in the economy or capital infrastructure or to the lesser extent in the social services especially health and administration (Naidu, 2006). Both Fainsod and Montgomery maintained that development administration usually connotes programme-oriented administration.

Another scholar of the same intellectual persuasion, Bogner conceptualised the objective of development administration as an effective management of development (Abdulsalami, 1998). It is concerned with how to accelerate the pace of development and modernisation; how to *catch up* with the more advanced economies; break the vicious circle of poverty and stagnation; and set in motion the vehicle of development, modernisation and nation-building, propelled by the forces of modern science and technology, and modern management techniques. Montgomery says, development administration means carrying planned change in the economy or capital infrastructure or to a lesser extent in the social services, especially health and education (Naidu, 2006).

Self-Assessment Exercise 2

- i. Explain the term 'development administration'.
- ii. Briefly explain development administration from the perspective of Fred Riggs

1.4.2 Theoretical Perspectives on Development Administration

Development administration was not considered in theoretical terms until the 1960s. During this period, the members of the Comparative Public Administrative Group (CAG) of the American Society for Public Administration undertook some studies in the administrative systems of the new nations. The major findings of the research revealed that the western developmental models and concepts of public administration might not be appropriate for the developing nations. These studies also showed that in order to handle the foreign technical assistance programmes the administrative systems and practices of the developing nations need alteration. Thus, a system of administration termed development administration; a specialty within the broader field of public administration was adopted in the new nations to modernise their economies, accelerating development to be equivalent, eventually, to the advanced countries of the West.

It was reasoned that a technocratic bureaucracy following rational-legal principles as set out by Max Weber would be all that was needed to overcome tribal authority and superstition, combined with the application of technical expertise to agriculture and industries. Thus, government became the dominant player on the economic scene, controlling the commanding heights of the economy. It became the prime agent of socio-economic development, providing infrastructure, and producing goods and services, often provided through the mechanism of public enterprise. This led to a rapid development of the public enterprise sector and by the early 1980s a huge sector was firmly established in most of the countries. In summary, the main reasons for the birth and growth of the concept of development administration are:

- The emergence of new states in Asia, Latin America and Africa after the World War II;
- The emergence of international and the United States economic and technical plans for assistance to developing countries; and
- The establishment of the CAG and the interest shown by its members for developing countries and their administrative systems.

Because of these factors, development administration has grown to become a dominant issue and has acquired huge importance in the developing nations.

Weidner views development administration in government as the process of guiding an organisation toward the achievement of progressive political, economic, and social objectives that are authoritatively determined in one manner or another (Naidu, 2006). Although this definition is neither precise nor comprehensive, it does sketch the principal interest of development administration. The definition implies that development administration is concerned with bringing about planned change or intended change in the direction of modernity or nation-building and socio-economic progress.

Fred W. Riggs, who was a pioneer in the field of comparative public administration made some significant contribution to the field of development administration via his book, 'Frontiers of Development Administration'. 'The Idea of Development Administration' and 'Administration in developing countries' are some of his works which contain his views on development administration. As the long-serving chairman of the CAG, Riggs came to be regarded as the prime mover of academic interest in the field of development administration.

Riggs (1971:73) says development administration refers to organised efforts to carry out programmes or projects thought by those involved to serve developmental objectives. The phrase arises by simple analogy with such expressions as agricultural administration, educational administration, and social welfare administration, each of which involves organised efforts to implement agricultural, educational, and social welfare programmes, respectively. He also said that development administration refers to the administration of development programmes, to the methods used by large-scale organisations, notably governments, to implement policies and plans designed to meet their development objectives. This administration includes organised efforts to carry out development programmes.

Like Edward Weidner, Riggs views development administration as a goal-oriented administration – an administration which is engaged in the task of achieving progressive, political, economic and social goals. This goal-orientation and change-orientation of an administrative system gives it the characteristics of development administration. In other words, the erudite scholar is saying that development administration does not only refer to a government's efforts to carry out programmes designed to reshape its physical, human, and cultural environment, but also to the struggle to enlarge a government's capacity to engage in such programmes for the purpose of nation-building. Consequently, Riggs

distinguished two different but interrelated aspects of development administration: administration of development and development of administration. The former involves a government's effort to initiate and manage development while the latter simply means those efforts made to build and sustain efficient and effective administrative machinery capable of playing its expected role in national development. It may be noted here that there is a similarity in Riggs' emphasis on administrative development and Taylor's stress on increasing effectiveness of administrative system in order to attain its prescribed goals.

It is clear that to Riggs, development administration refers both to administrative problems and government reforms. The problems relate to government tasks connected with agricultural, industrial, educational, and medical progress. Reforms of government organisations and bureaucratic procedures usually, have to go hand-in-hand with the administrative process connected with problem-solving.

The ecological approach to development administration is the central point of Riggs' analysis. It is on account of environmental influences that an administrative system in a prismatic society develops the characteristics of heterogeneity, formalism, and overlapping. These three, according to Riggs, are the important features of development administration.

Arora (1984) sees development administration as having two important aspects – the administration of development programmes, and the development of capable administrative system. The first refers to public administration as an instrument of national development. The second refers to measures to strengthen the administrative capabilities to meet the continuing challenges posed by developmental activities. Any complete definition of development administration must include these dimensions. Similarly, Maheswari views development administration as the administration of development programmes designed to promote nation-building and socio-economic development and concomitant development of administrative practices and institutions necessary for the implementation of such programmes (Naidu, 2006).

Garcia-Zamor (1973:422) examines development administration from both conceptual and operational viewpoints and states that it is the bureaucratic process that facilitates or stimulates the achievement of socio-economic progress through the utilization of the talents and expertise of the bureaucrats. Timsit (1981) sums development administration as the conscious study of the conditions of public administration in the developing countries and along a similar line of reasoning Swerdlow (1975) and Dwivedi and Nef (1982) view

development administration as what is expected of public administration in the developing countries.

Self-Assessment Exercise 3

- i. Explain the nature of development administration
- ii. Describe the scope of development administration.

1.5 Nature and Scope of Development Administration

1.5.1 Nature of Development Administration

The discipline of development public administration is subject to philosophical controversy. For instance, some treat it as normative branch, while others consider it as positive and empirical branch of public administration. It is essentially the latter that we are primarily concerned with in this study. In examining the real nature of development administration we have to pose the following: (a) Is development-administration a science? Or can it be studied scientifically? (b) Is development administration an art? Let us try to answer and examine these one by one.

Is Development Administration a Science?

As we know, science is a systematised body of knowledge with its distinctive subject matter and distinctive methodology. Development administration is a growing discipline. As a discipline, it belongs to the biggest family of social sciences. It is inter-disciplinary in approach. It can be described as a scientific discipline for the purpose of study, teaching and research. It can safely claim the status of social sciences. All social sciences including public administration and development administration are 'inexact' because they deal with the human element and the human behaviour, so the task of explaining and predicting the phenomena is not so exact. It can be studied systematically and scientifically. It is scientific in nature, if it uses scientific method in collection, and verification of data. Data are gathered and tabulated, analysed and compared to hypothesis. Finally, hypotheses are supported or negated. The study of development administration and academic discipline is comparatively new. As a field of systematic study, development administration is only a recent coinage. It was first coined by Indian Scholar Goswami in 1955. And later on, credit goes to Weidner, because he made the symbolic, systematic and scientific' study of the development administration. He laid the scientific foundations of the discipline (Naidu, 2006).

We may sum up as:

- a. First, it is an intellectual discipline or science to be studied in educational institutions both by the students and scholars.
- b. Secondly, it is one of the social sciences largely concerned with the investigation of social and economic issues.
- c. It is a positive, normative and empirical science.

It is positive and normative because it is concerned with the question of value. It is normative science because it is intimately connected or concerned with the life and ideals of the people for whom it has function. It is empirical because it is concerned with the facts, and actualities.

Is development Administration an Art?

Development administration is an activity which requires a skill for its efficient performance. It is an art, and development administrator is an artist. Talented people become development administrators. As an art, development administration is concerned with the practical affairs of administration. As a practice, it stands for the process or activity of administering governmental affairs. It is not only an art, but a fine art or discipline. Art is not merely theory, but putting theory in to practice. Similarly, we find that development administration is not merely theory but practice.

It is more of practical aspect rather than theoretical discussion. As a practice, it is essentially an art. In the olden days of the monarchic period, the royal and the noble families used to pay greater attention to the education of their children in the art of governance. There are examples of scholars who wrote many 'classics on the art of administration. Some of the notable examples are, Kautilya's *Athashastra* and Machiavelli's *Prince*. In this way, we can conclude by saying that development administration is 'both a Science as well as Art'.

A few other points regarding the nature of Development administration may be noted here:

- Development administration of developing nations is rooted in the field as most of the development activities take place at the field level away from the headquarters. It, therefore, lays emphasis on decentralisation of authority which enables the field units to take decisions on the spot.
- Development administration is ecological in nature. Development administration of developing nations is rooted in the ethical and moral concerns of their individual societies. Development

enterprise operates within the social, cultural, economic and political environment of a nation. Therefore, the outcome of any developmental activity is conditioned by its environmental factors.

- Development administration is also closely linked with political processes in a society. Development has to depend a lot on political management as the impulse for change comes more often from the political leadership.
- Development administration is an important motivational concern of the comparative Public administration. An important purpose of the research studies relating to the developing nations undertaken by the comparative administrative group in the U.S.A. in 1960s was to promote development in those countries.
- Development administration encompasses contributions from cultural anthropology and sociology. -For this reason it has a wider perspective than the conventional approach based on organisational reforms,
- Development administration lays emphasis on self-reliance and participation of the people in the developmental activities. It stresses decentralised, responsive and accountable management of developmental plans, policies, and programmes.

According to Khosla, the principal functions of Development administration are:

- Formulation of development goals and policies.
- Programme formulation and programme/project management
- Reorganisation of administrative structures and procedures.
- Evaluation of results.
- Securing people's participation in the development effort,
- Promoting growth of social and political infrastructure (Naidu, 2006).

These activities require a competent, incorruptible, action-oriented goal-oriented and change-oriented dynamic Public administration system.

1.5.2 Scope of Development Administration

The field of study and action represented by development administration may be conveniently divided into the following areas, though other classifications may also be thought of:

- i. Extension and community services.
- ii. Problems of programme management.
- iii. Project management.
- iv. Area development.
- v. Labour administration
- vi. Financial administration and others.

- i. **Extension and Community Services:** Extension and community services are best seen as a form of partnership between the government agencies which provide technical, institutional or financial services to the people. Their significance comes from the fact that they are a substitute for a system based on government action alone and are rooted in the belief that it is the community at the local level which receives the services, responds to them and in the process, grows in initiative and responsibility. They imply community organisations of one kind or another at the base. The most difficult problem met within extension is that, within the limits of the resources available, benefits do not easily reach out to sections of the population who are in a situation of weakness, unable to contribute their own share or to claim what is due to them.
- ii. **Problems of Programme Management:** These run right through the entire range of development in various sectors of the economy. They include questions of organisation, personnel, delegation, and attitudes in administrations, but if issue should be identified more sharply than the other, it is the critical role in programme management of planning for supplies and inputs.
- iii. **Project Management:** More especially, the management of public enterprises has become an altogether crucial area, because major projects account for a high proportion of new investment and make demands on resources in men, materials and organisation which are frequently underestimated. They call for decisions and procedures at the level of policy which would facilitate their preparation and execution and at the same time, there must be efficiency, initiative and compactness in the organisation responsible for them. They are undoubtedly a major challenge to administrative and technical capacity to achieve development.
- iv. **Area Development:** It is an extremely difficult field of administration and one for which most of the developing countries do not yet have sufficient experience. It is generally assumed that the problems which arise at the area level would be adequately dealt with by men and institutions on the spot. It is, however, not realised that area development requires a clear frame of delegations and procedures within which, both at the state level and in district and blocks, each agency could act on its own, as well as identification of the points at which its activities should be complementary to those of other agencies.

Before development administration can make a success of area

development, more knowledge and understanding has to be brought to bear on problems at the local level, local problems are best regarded as facets of difficult national problems, looked at in terms of given areas and communities. They demand no less expertise and knowledge from higher levels of administration and from universities and research institutions than problems at the state and national level

1.6 Summary

This unit discussed the emergence of development administration, citing the contributions of the emergence of new states in Asia, Latin America, and Africa after the World War 11; the emergence of International and the United States economic and technical plans for assistance to the developing countries; and the establishment of the CAG and the interest shown by its members for developing countries and their administrative systems. It went further to discuss the nature and scope of the concept, the different theoretical perspectives on it, criticisms against the concept and differences between it and the traditional public administration. Finally, it examined the environments and the evolution of development administration.

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1.8 Possible Answers to SAEs.

Answers to SAEs 1

- i. Explain how the establishment of the Comparative Public Administrative Group (CAG) contributed to the emergence of public administration.
- ii. Explain the contributions of the independence of new nations following World War II to the emergence of development administration. Fred W. Riggs, who was a pioneer in the field of comparative public administration made some significant contribution to the field of development administration via his book, 'Frontiers of Development Administration'. 'The Idea of Development Administration' and 'Administration in developing countries' are some of his works which contain his views on development administration. As the long-serving chairman of the CAG, Riggs came to be regarded as the prime mover of academic interest in the field of development administration.

The field of Development Administration can be said to have started in the developing countries after the World War II. The period of fifteen years following the end of the war in 1945, colony after colony started agitating for independence to throw off the imperial yoke, and many of them especially in Asia, Latin America and Africa achieved it. This new status gave promise of freedom and liberty and self-determination in political systems of representative democracy. It also gave hope of greater individual freedom and equality of treatment in the society.

Answers to SAEs 2

- i. Explain the term 'development administration'.
- ii. Briefly explain development administration from the perspective of Fred Riggs

Development administration can be said to be a system of administration geared towards development and it is characterised by Innovation and social engineering. It initiates and manages development.

Because of the innovation and social engineering characteristics of development administration, it has grown to become a dominant issue and has acquired huge importance in the developing nations. For example, Tanzania's 400 state-owned enterprises accounted for 38% of gross fixed capital formation, and a similar level in Ethiopia. From the late 1960s, the public enterprise sector in Zambia constituted about 80% of all economic activity with the private sector accounting for the remaining 20%. The sector was structured with one enterprise, ZIMCO, a holding company,

controlling the other enterprises and with the government in turn, particularly the Zambian president controlling ZIMCO. This meant the government, particularly the president, could control the overwhelming proportion of the economic activity, as well as political activity. Nigeria had about 1,500 public enterprises when it was to embark on structural adjustment programme in 1986.

Answers to SAEs 3

- i. Explain the nature of development administration
- ii. Describe the scope of development administration.

Development administration can safely claim the status of social sciences. All social sciences including public administration and development administration are 'inexact' because they deal with the human element and the human behaviour, so the task of explaining and predicting the phenomena is not so exact. It can be studied systematically and scientifically. It is scientific in nature, if it uses scientific method in collection, and verification of data. Data are gathered and tabulated, analysed and compared to hypothesis. Finally, hypotheses are supported or negated. The study of development administration and academic discipline is comparatively new. As a field of systematic study, development administration is only a recent coinage.

Development administration is an activity which requires a skill for its efficient performance. It is an art, and development administrator is an artist. Talented people become development administrators. As an art, development administration is concerned with the practical affairs of administration. As a practice, it stands for the process or activity of administering governmental affairs. It is not only an art, but a fine art or discipline. Art is not merely theory, but putting theory in to practice. Similarly, we find that development administration is not merely theory but practice. It is more of practical aspect rather than theoretical discussion. As a practice, it is essentially an art. In the olden days of the monarchic period, the royal and the noble families used to pay greater attention to the education of their children in the art of governance. There are examples of scholars who wrote many 'classics on the art of administration. Some of the notable examples are, Kautilya's *Athashastra* and Machiavelli's *Prince*. In this way, we can conclude by saying that development administration is 'both a Science as well as Art'.

Unit 2 Environments of Development Administration

Unit Structure

- 2.1 Introduction
- 2.2 Learning Outcomes
- 2.3 Economic and Political Environments
 - 2.3.1 Economic Environment
 - 2.3.2 Political Environment
- 2.4 Socio-cultural and Administrative Environments
 - 2.4.1 Socio Cultural
 - 2.4.1 Administrative Environment
- 2.5 Critique
 - 2.5.1 Merits
 - 2.5.2 Demerits
- 2.6 Summary
- 2.7 References/Further Readings/Web Resources
- 2.8 Possible Answers to Self-Assessment Exercise(s) within the content

2.1 Introduction

Note that development administration is ecological in nature and it is rooted in the ethical and moral concerns of their individual developing nations. Development enterprise operates within the economic, political, socio –cultural and administrative environments of individual society. Therefore, the outcome of any development activity is conditioned by its environmental factors. This unit therefore, attempts to discuss these environments.

2.2 Learning Outcomes

By the end of this unit, you will be able to:

- discuss the economic environment of development administration.
- analyse the merits and demerits of development administration
- assess the socio-cultural environment of development administration

2.3 Economic and Political Environments

2.3.1 Economic Environment

Some writers like Swerdlow (1975), Fainsod (1963), and Riggs (1971), see development administration as being concerned with underdeveloped countries whose economic features include large subsistence agriculture, and low standard of living. An underdeveloped economy is predominantly agricultural. Typically, up to 80% of the labour force is engaged in agriculture. Agricultural production is largely for subsistence and carried out under feudal relations. Feudal landlords live an ostentatious life and make little or no investment in agriculture. Within the industrial sector, traditional household crafts preponderate. Modern industry, if it exists at all, is limited to a few lines. Infrastructural services like transport and communications are extremely poor and limited.

As is implicit in the structure of an underdeveloped economy, its relative factor endowment pattern is dominated by land or by land and labour together. Relative availability of capital is extremely low. Capital goods are mainly those which are turned out by the traditional crafts. Additional labour due to population growth stays back in agriculture since little opportunity of other employment exists. As a result, substantial proportion of labour in agriculture remains under-employed. Labour is thus poor in quality.

Asset ownership, particularly of the most important factor of production, land, is very unequally distributed in an underdeveloped economy. It may so happen that a handful of feudal lords own most of the land and the rest of the rural population worked as tenants or landless labourers, including bonded labourers. Disparity in incomes follows from disparity in land ownership, with 70% of the product going to a small class of land owners. The rest of the population lives at subsistence level under acute poverty. Furthermore, in large countries such as India and Nigeria, there also exists disparity of incomes between different regions as the relative factor endowments as well as the levels of development vary from region to region.

Since an underdeveloped economy is characterized by stagnation in production and operates at a low level equilibrium, savings are low, and so is investment. A kind of vicious circle operates: low income- low savings - low investment: low income. Low saving and low investment keep capital accumulation at a low rate. The vast majority of the people, living at subsistence level have no capacity to save but engage in conspicuous consumption. Merchants and traders do accumulate some money capital but they lack entrepreneurial talent and training and so do

not invest in industry. The other reason for this failure is the large size of capital required by modern industrial units which individual holders of money capital are unable to provide.

Underdevelopment is also characterised by low levels of scientific and technical knowledge. Due to illiteracy and lack of education, the quality of human capital is poor. On the other hand, an underdeveloped economy dependent on the traditional means and methods of production has little scope for technological innovation. The underdeveloped countries are the producers of raw materials, and these materials are usually produced for the industries of the advanced countries.

Self-Assessment Exercise 1

- i. Explain the political environment of development administration.
- ii. Describe the economic environment of development administration

2.3.2 Political Environment

One of the political features of the underdeveloped countries is the growing gap between expectations and the actual achievements. There is high unemployment and/or underemployment among the youths. In such conditions this age group presents a potent threat to political stability and economic growth, being less amenable to nationalist anti-imperialist rhetoric as a panacea for their problem (Mazrui, 1998). Militant groups as well as other criminally minded gangs are easily formed by these unemployed youths.

An idle mind is a devil's workshop goes the adage and much of the political unrest on the African continent can be attributed to the presence of unemployed, frustrated and alienated young people. They are easily drawn to parties and groups that promise total and revolutionary change rather than incremental and evolutionary change. They are usually in the forefront of pro-democracy movements in many of the African countries (Mazrui, 1998).

Most of the underdeveloped countries are multi-ethnic and multi-religious. However, the goal of nation-building requires the integration of the diverse ethnic, religious, communal and regional elements into a national political community. Despite its urgent need in these countries, the achievement of this goal is a difficult task because of sectarian, caste, communal, tribal and ethnic cleavages, hate speech peddling, and separatist agitations which are prevalent in these societies. Sometimes, the silence of opinion leaders and politicians from the ethnic groups whose youths are involved in these hate speech and separatist agitations

can only be taken as an endorsement. This situation does not augur well for nation-building objective of development administration.

Some version of socialism tends to be the dominant preference with a philosophy having a Marxist label while evils of foreign capitalism are denounced. The state is generally seen as the main hope for guiding society towards modernisation. The politics played is agitational. Political instability is a prominent feature as surveys have shown that 40% of the countries have had successful or attempted coups. Compared to developed countries the politics of underdeveloped countries is that of uncertainty, discontinuity, and extra-legal change. Political leadership is in the hands of a minute segment of the society. Some of the countries advocate one-party system while others prefer multiparty system.

2.4 Socio-cultural and Administrative Environments

Self-Assessment Exercise 2

- i. Assess socio-cultural environment
- ii. Briefly explain administrative environment

2.4.1 Socio Cultural

Traditional institutions abound in the underdeveloped countries and they often create impediments to development. The presence of a mix of traditional and modern forms and institutions in the administrative institutions creates confusion. Modern ideas are super-imposed upon traditional ones. Behind the façade of new structures introduced, the old and traditional ways of doing things persist in reality. In other words, in prismatic society modernity and tradition co-exist in an uneasy companionship. Riggs considers the prismatic society as a less developed society because of maladjustment of differentiation and integration (Anyebe, 2017). In this society the new structures are half-born and are trying to adjust with the old ones. The prismatic society is not fully fused nor is it fully diffracted. The necessity of integration arises in development administration because there are a variety of specialized roles which may lead to confusion and chaos unless they are carefully coordinated with each other. Integration of the specialized roles can lead to development. For example, lack of integration may make modernisation of roads or the building of certain industries which are perceived to be opposed to tradition and customs difficult. Some portions of land may be believed to be sacred and if a modern road is to be constructed across the parcel of land opposition may be raised by the community. If the construction is ever to be carried out at all, heavy compensation will have to be paid and this may cost the government a lot of money.

The price a nation pays for being uncritical of the beliefs held by its citizens that their lives are controlled by forces outside their control is grave indeed. Apathy becomes the predominant attitude of such citizens and underdevelopment of the nation is one of the consequences. The belief that anyone with the help of the supernatural may bring harm to others does little to promote mutual trust. In the absence of trust individuals cannot cooperate in engineering solutions to pressing national or community issues.

These are societies where children are for instance, seen as an agent to continue the lineage and perpetuate the family name and spirit. The aged are dependent on their adult sons and daughters for support hence fertility remains high in order to guarantee enough surviving children to meet the need (Anyebe, 2001:20). Developing countries like those of Africa have the fastest growing population rate. Most of them have large areas of land with population scattered, largely rural and often involve tribal groupings alienated from functional government. People are differentiated on the basis of race, tribe and religion.

2.4.2 Administrative Environment

There is usually a large-scale bureaucracy which is claimed with pride to be based on the model of the former colonial masters. The basic pattern of administration is imitative rather than indigenous to the society. In Nigeria, for instance, the current administrative laws are usually those introduced by the British some fifty to hundred years ago. Nigerian civil servants commonly claim that 'their system' follows the 'British system.' Such claims are made with pride and are to demonstrate the pedigree and quality of their civil service. They fail, though to note that the system is based on a British colonial model rather than the British domestic model.

Bureaucracy maintains sole ownership of technical knowledge in the various sectors from agriculture to mining and industry; it is usually the sole employer of professional experts, most often, trained in the country of the former colonial master. The bureaucracy is often deficient in skilled manpower necessary for development programmes.

The countries emphasise orientations that are other than productivity directed. Value attached to status is based on ascription rather than achievement. Outwardly, they preach merit system but it is spoils system they practice. Corruption is widespread and bureaucracy is used as a social security programme to solve employment problem which leads to a padded bureaucracy.

There is a widespread discrepancy between form and reality, what Riggs refers to as formalism. The gap between formally prescribed and effectively practiced behaviour is wide in prismatic societies. There exists a discrepancy between the impression given by constitution, laws, regulations, organisation chart, and statistics and actual practices and facts of government and society. Formalism may significantly influence the quality of administrative action and behaviour. The laws, rules, regulations, and principles are not adhered to in practice. Norms and values seem to enjoy most theoretical respect and practical behaviour usually just the reverse. In other words, the actual administrative behaviour may not correspond to the declared intentions of rules and regulations in the developing societies. Administrators allow non-administrative criteria to influence their actions. For instance, a merit system may be the legal method for recruiting staff, but in reality the actual appointments may be based on criteria other than merit such as primordial considerations. Formalism, usually gives rise to administrative evils such as red-tape, passing the buck, inefficiency, and corruption.

There exists a close relationship between development administration and its environment. As the objective of development administration is to change and develop the environment, so are the policies and programmes undertaken to achieve this goal and the methods employed to carry out the assignments influenced by the environment.

2.5 Critique

2.5.1 Merits

The crux of development administration is societal change. It actively and consciously attempts to bring about changes both in the substance of a field of activity, and whenever necessary in the values and attitudes of people. In seeking to bring about change, development administration deliberately tries to re-orient people in direction of development goals. It makes people to participate in development activities and enables them to share the benefit of material development. Thus, development is a process of social change as much as of economic change. Development administration is therefore, concerned with economic growth by means of industrialisation. It aims at transforming an agrarian society into an industrial society. As a nation develops, it also becomes modernised. Thus, modernisation is one of the many factors closely linked with other variables such as industrialisation, social change and attitudinal change (Naidu 2006).

2.5.2 Demerits

Development administration has come under criticisms on certain grounds. First, it is said that development administration means increased state bureaucratic control over individual human beings. It contains implicit authoritarian assumptions which are inconsistent with the liberal democratic values. This authoritarian approach of the civil servants is not likely to motivate the public to actively participate in implementing public policies and programmes.

Second, development administration is generally believed to have failed to fulfill its promises of socio-economic progress and nation-building. A spirit of frustration and despair with development in general is found in developing countries (Naidu, 2006). Hunger, poverty, unemployment, illiteracy, diseases and population explosion in the developing nations have remained on the high side. The gap between the rich and the poor has become a gulf and it is yawning. It has shown the inadequacy of administration for development in the developing societies.

Development administration has been found to be weak and inadequately equipped to face emerging challenges. Decision-making process and business methods pursued are dilatory and exasperating to those citizens affected by them. Corruption is acute and apparently defies solution. Political interference in administration is another factor inhibiting socio-economic development.

The process of development presupposes a system of bureaucracy that accepts development as its main goal, however, bureaucracies in developing countries have a tendency to lay emphasis on non-productive orientation. They work for the realisation of goals other than the achievement of programme objectives. Loyalty to the organisation or its basic mission is not a powerful ethic among the bureaucrats. The behaviour of civil servants entrusted with development tasks is said to have poor citizens-orientation and poorer commitment to work. The bureaucrats usually show insensitivity to the poor and their needs. They are also accused of being arrogant, harassing, ineffective, inefficient, as well as lacking the necessary skills and competence to execute development tasks.

The basic administrative structures in developing countries are not only elitist in orientation but also generally imitative rather than indigenous to the society. The borrowed western model of administration does not fit into the needs of development administration. There is a widespread discrepancy between form and reality, wide gap between government proposals and their implementation. Most of the laws are either bypassed or not implemented at all. Bureaucracy enjoys an unusual

degree of operational autonomy. Besides, there is the shortage of technically qualified and trained personnel capable of performing development tasks.

There is an undue concentration of authority at the senior executive levels in the ministries in the developing nations. Delegation of authority is limited as the senior executives want to control everything. Even the simplest administrative decisions have to be approved at the top and this concentration of authority at the top saps the initiative and the drive of the personnel working in the field.

There is rampant corruption which is usually institutionalised and out of control. Development funds are often siphoned off to hire friends or relatives and the funds may as well end up in private bank accounts. Corruption and inefficient administration go hand in hand. Development goals may not be fulfilled and the new socio-economic order may never be built unless corruption is checked or at least reduced to the lowest level.

Finally, the officials in the developing countries do not show much interest in the actual administrative details necessary to accomplish development plans and programmes (Naidu, 2006). Much time of the bureaucrats is wasted on paper work, big and flamboyant staff meetings or field trips while the administration is characterised by red-tape and secrecy. Rules, regulations, and forms are given precedence over the substance.

Self-Assessment Exercise 3

- i. Explain two (2) merits of development administration
- ii. Name and explain two (2) demerits of development administration

2.6 Summary

Development administration is ecological in nature and it is rooted in the ethical and moral concerns of their individual developing nations. The outcome of any development activity is conditioned by its environmental factors. This unit therefore, attempted to discuss these environments.

2.7 References/Further Readings/Web Resources

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2.8 Possible Answers to SAEs.

Answers to SAEs 1

- i. Explain the political environment of development administration.
- ii. Describe the economic environment of development administration

Political environment has these features – democracy is like war, characterised by electoral fraud such as rigging, ballot snatching and ballot stuffing, and promises are at variance with actual performance.

The economic environment is characterised by subsistent agriculture, vicious circle of poverty and low technology.

Answers to SAEs 2

- i. Assess socio-cultural environment
- ii. Briefly explain administrative environment

The presence of a mix of traditional and modern forms and institutions in the administrative institutions creates confusion. Modern ideas are super-imposed upon traditional ones. Behind the façade of new structures introduced, the old and traditional ways of doing things persist in reality. In other words, in prismatic society modernity and tradition co-exist in an uneasy companionship. Riggs considers the prismatic society as a less developed society because of maladjustment of differentiation and integration.

The countries emphasise orientations that are other than productivity directed. Value attached to status is based on ascription rather than achievement. Outwardly, they preach merit system but it is spoils system they practice. Corruption is widespread and bureaucracy is used as a social security programme to solve employment problem which leads to a padded bureaucracy.

Answers to SAEs 3

- i. Explain two (2) merits of development administration
- ii. Name and explain two (2) demerits of development administration

The crux of development administration is societal change
It is concerned with economic growth by means of industrialization

Unit 3 Evolution Administration and Challenges

Unit Structure

- 3.1 Introduction
- 3.2 Learning Outcomes
- 3.3 Socialist Revolution in Russia in 1917 and Great Depression the 1930s
 - 3.3.1 Socialist Revolution in Russia in 1917
 - 3.3.2 Great Economic Depression in the 1930s
- 3.4 War Economy and Welfare State
 - 3.4.1 War Economy
 - 3.4.1 Welfare State
- 3.5 Hopes Generated by Euphoria of Independence in the New Nations and its Consequence
 - 3.5.1 Hopes Generated by Euphoria of Independence in the New Nations
 - 3.5.2 Consequences
- 3.6 Summary
- 3.7 References/Further Readings/Web Resources
- 3.8 Possible Answers to Self-Assessment Exercise(s)

3.1 Introduction

This unit attempts to discuss the streams of events favouring the evolution of development administration. The dominant intellectual viewpoint in the advanced industrial countries of the West conceptualises the role of government as that of providing a peaceful and conducive socio-political atmosphere for business entrepreneurs to operate their economic and other profit oriented ventures. The government should be simply the facilitator for the market system. However, various streams of events have emerged to alter the course of public administration in theory and practice especially in developing countries which Nigeria is a member.

3.2 Learning Outcomes

By the end of this unit, you will be able to:

- explain how the Russian revolution of 1917 promoted evolution of development administration.
- analyse the contribution of the great depression in the 1930s to the evolution of development administration
- Evaluate the contribution of the hopes generated by the euphoria of independence in the new states to the evolution of development administration

3.3 Socialist Revolution in Russia in 1917 and in the 1930s

3.3.1 Socialist Revolution in Russia in 1917

Following the socialist revolution in Russia in 1917 private ownership of the means of production was abolished. Private enterprise and the free market mechanism as vehicles for economic development went with the abolition. Planning and public enterprise were instituted. The results were remarkable. The state mobilised high rates of public savings and investment. Capital accumulation and national income grew at unprecedented rates. By the end of the Second World War, the Soviet Union emerged as the second big power in the world. In about four decades, from a situation of underdevelopment and backwardness, Soviet Union became a developed country. This was, thus a very successful example of planned economic development for the countries developing later to learn and emulate. The strategy adopted by Third World countries was greatly influenced by the Soviet experience. In essence, Soviet socialism seemed to promise a path for these countries, and also an ideological battle ground during the Cold War, when assistance could be obtained by choosing one side or the other (Anyebe, 2001).

3.3.2 Great Economic Depression in the 1930s

Adam Smith wrote 'The Wealth of Nations' in 1776, one of the greatest and most influential of theoretical texts, in which he argued for a greatly reduced role for government. According to him, the 'duties of the sovereign' (in other words, the role of government) were as follows:

First, the duty of protecting the society from the violence and invasion of other independent societies; secondly, the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice; and thirdly, the duty of erecting and maintaining certain public works and certain public institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain; because the profit could never repay the expense to any individual or small number of individuals, though it may frequently do much more than repay it to a great society (Smith, 1976:208-9).

The desirable role for government in Smith's view was to simply stay out of economic life as far as possible. The term *laissez-faire*, advocated by him and his followers means that government should abstain from interference in commerce. Smith certainly envisaged a smaller role for government than that in place at the time. Government should be simply

the facilitator for the market and should step in reluctantly and only as a last resort.

You may have heard about the Great Depression of the 1930s, also called the 'World Economic Crisis'. What happened was that the market system, especially in the industrial countries of the West ground to a halt. There was over production; stock of unsold goods piled up; factories were shut down; share markets collapsed; unemployment soared up. All this meant a complete mismatch between production and market demand. It had been known that the free market system did not ensure smooth development of an economy based on private enterprise. But the Great Depression made it crystal clear for everyone to see. Incidentally, one should also note that the Soviet economy, being a planned economy, remained unaffected by the Great Depression. How was the crisis of the Great Depression handled? By the intervention of the state which means that the states in the badly affected countries of the West intervened to push up market demand by undertaking public works and financing them by money creation (printing currency notes, also known as Deficit Financing).

This step generated additional income and employment. Market demands for goods and services gradually picked up as a result of this policy. In course of time, normality was restored and development resumed. This course of state intervention is also known as the 'Keynesian solution' of the economic crisis, after the name of the famous English economist, J.M. Keynes, who had provided the economic theory on which this solution was based. The Keynesian approach is interventionist, coming from a belief that the self-interest which governs micro-economic behaviour does not always lead to long run macro-economic development or short run macro-economic stability. In other words, Keynesian economics is essentially a theory of aggregate demand, and how best to manipulate it through macro-economic policy. In the United States, this course of state intervention came to be known as the 'New Deal'. During the economic recession in Nigeria between 2016 and 2017 the federal government used fiscal and monetary policies to push up market demand by undertaking infrastructural development and maintaining high interest rates to control inflation.

The experience of the great depression had, apart from other things, one very major effect. The faith in a laissez faire state, a fence-sitting state not actively intervening in the economic life to control the functioning of the market, was shaken. Since then, state intervention in the market system wherever and whenever necessary, has become a normal feature of the capitalist countries e.g the 2008 World economic meltdown. So far, this was occasionally practiced in a war economy in emergency. Finally, the state plans for, and undertakes public works, especially in the

field of social infrastructure. Such developments in the developed capitalist countries, following the Great Depression, had a lesson for the developing countries. The lesson was: economic development could not be left wholly to private enterprise based on the free market and the state had a role to play in it.

Self-Assessment Exercise 1

- i. Explain how the Socialist Revolution in Russia in 1917 led to the evolution of establishment of development administration.
- ii. Describe the contribution of the Great Depression in the 1930s to the evolution of development administration

3.4 War Economy and Welfare State

3.4.1. War Economy

Not long after the experience of the Great Depression came the Second World War (1939-45). It necessitated not just state intervention in the capitalist and fascist countries like Germany and Japan but an overall control of the economy, its regulation and production planning for meeting the war needs. This is what is known as 'planning of the War-Time Economies'. After the war, rehabilitation and reconstruction required the active role of the state. This historical experience favours planning and by implication development administration.

3.4.2 Welfare State

In the nineteenth century, especially in Britain, there was a serious attempt to minimize the excesses of the philosophy of laissez-faire capitalism advocated by Smith and his followers. Although overall living standards rose tremendously in Victorian Britain, there were unfortunate side effects evidenced by the exploitation of child labour, inadequate housing and poor public health. It was in part as a reaction to the excesses of laissez-faire capitalism that Marx and others argued in the mid-nineteenth century that there were contradictions within capitalism, which led irrevocably to the exploitation of workers. Towards the end of the century what later became known as 'the welfare state' arose to alleviate some of the worst excesses of capitalism by re-establishing the state's responsibility for the welfare of its citizens.

One of the advocates of the welfare state was Chancellor Otto Von Bismarck, who though an archconservative, saw some electoral advantage in expanding welfare. The main impetus in Germany was to counter the danger to the socio-political order from a socialist workers' movement, which was regarded as a revolutionary threat (Anyebe,

2017). Bismarck said 'whoever has a pension to look forward to in his old age is much more contented and more easily taken care of than the man who has no prospect of any.' On another occasion, he remarked that such pensions, would teach 'even the common man' to look upon 'the Empire as a benevolent institution' (Ritter, 1983:33-4). In the developed countries of the West, the state since then has been making a sizeable expenditure on old-age security, unemployment benefits, health, education and such other social services. All these are known as 'social security' or welfare measures. Provision for all these requires planning.

A major negative effect of market based development which has emerged lately is environmental pollution with ecological degradation. The welfare state is required not only to protect environment and ecology but also to conserve and plan for restoration and development of the natural resources. The free market mechanism, based on profit maximization does not provide for these. This also, is a historical experience favouring development administration.

Self-Assessment Exercise 2

- i. What is the contribution of War Economy to the evolution of development administration
- ii. What is the contribution of Welfare State to the evolution of development administration

3.5 Hopes Generated by Euphoria of Independence in New Nations and its Consequence

3.5.1 Hopes Generated by Euphoria of Independence New Nations

The climate of independence and specifically, the rising expectations of the people of the new nations left the governments with little or no options than to play a central role in all facets of life of their societies (Abdulsalami, 1998). It was therefore felt that the traditional model of public administration would be inadequate in providing guidelines for building a nation-state out of the traditional society. Thus, a new model of administration termed development administration was adopted in the new nations to 'modernise' their economies, accelerate development to be equivalent, eventually, to the advanced countries of the West. There was a chronic shortage of capital and capital markets such that private ownership would necessarily mean foreign ownership. In an attempt to preserve their independence these nations closed their doors to foreign investors. It was therefore, felt that government was the only organised

agent capable of employing its machinery to induce, promote, and manage socio-economic development. Thus, in the post-independence period, government became the prime agent of economic development, providing infrastructure, and producing goods and services, often provided through the mechanism of public enterprise. The need to establish large-scale and complex bureaucracies in form of ministries, parastatals, boards, commissions became self-evident and inescapable. From the 1960s the idea of planned change to bring about rapid socio-economic transformation became a kind of administrative ideology in developing nations.

The Nigerian government has therefore, been an active player on the economic scene since independence. It has been investing directly in all strategic areas of economic activities, given the low capital formation capacity of the private sector. In the 1970s the reconstruction and development efforts as the aftermath of the civil war even led to an increased level of government involvement in economic activities, such that by 1987, the federal government was in no less than 1,500 enterprises spanning transport, aviation, shipping, oil, vehicle assembly and manufacturing. This was the main reason for the establishment of large-scale bureaucracy that would be charged with the implementation of policies and programmes of government. This is usually claimed with pride to be based on the model of the former colonial masters to demonstrate the pedigree and quality of the bureaucracy (Anyebe, 2001).

3.5.2 Consequences

The convergence of these streams of thought with the establishment of the CAG and the interest shown by its members for developing countries and their administrative systems led the students of comparative public administration to start what is now known as development administration. This specialty within public administration has however, been facing serious challenges from privatisation movement since the mid-1970s as its theories and assumptions came under severe attack.

Self-Assessment Exercise 3

- | |
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| <ol style="list-style-type: none">i. What did hopes generated by euphoria in the new nations give to?ii. Mention one (1) consequence of this expectation |
|---|

3.6 Summary

We attempted to discuss the streams of events favouring the evolution of development administration. The dominant intellectual viewpoint in the advanced industrial countries of the West conceptualises the role of government as that of providing a peaceful and conducive socio-political

atmosphere for business entrepreneurs to operate their economic and other profit oriented ventures. The government should simply be a facilitator for the market system. However, various streams of events have emerged to alter the course of public administration in theory and practice especially in developing countries.

3.7 References/Further Readings/Web Resources

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3.8 Possible Answers to SAEs.

Answers to SAEs 1

- i. Explain how the Socialist Revolution in Russia in 1917 led to the evolution of establishment of development administration.
- ii. Describe the contribution of the Great Depression in the 1930s to the evolution of development administration

Following the socialist revolution in Russia in 1917 private ownership of the means of production was abolished. Private enterprise and the free market mechanism as vehicles for economic development went with the abolition. Planning and public enterprise were instituted. The results were remarkable. The state mobilised high rates of public savings and investment. Capital accumulation and national income grew at unprecedented rates.

The Great Depression made it crystal clear for everyone to see. Incidentally, one should also note that the Soviet economy, being a planned economy, remained unaffected by the Great Depression. How was the crisis of the Great Depression handled? By the intervention of the state which means that the states in the badly affected countries of the West intervened to push up market demand by undertaking public works and financing them by money creation (printing currency notes, also known as Deficit Financing). This step generated additional income and employment. Market demands for goods and services gradually picked up as a result of this policy. In course of time, normality was restored and development resumed. This course of state intervention is also known as the 'Keynesian solution' of the economic crisis, after the name of the famous English economist, J.M. Keynes, who had provided the economic theory on which this solution was based. The Keynesian approach is interventionist, coming from a belief that the self-interest which governs micro-economic behaviour does not always lead to long run macro-economic development or short run macro-economic stability.

Answers to SAEs 2

- i. What is the contribution of War Economy to the evolution of development administration
- ii. What is the contribution of Welfare State to the evolution of development administration

Not long after the experience of the Great Depression came the Second World War (1939-45). It necessitated not just state intervention in the capitalist and fascist countries like Germany and Japan but an overall control of the economy, its regulation and production planning for

meeting the war needs. This is what is known as 'planning of the War-Time Economies'. After the war, rehabilitation and reconstruction required the active role of the state. This historical experience favours planning and by implication development administration.

One of the advocates of the welfare state was Chancellor Otto Von Bismarck, who though an archconservative, saw some electoral advantage in expanding welfare. The main impetus in Germany was to counter the danger to the socio-political order from a socialist workers' movement, which was regarded as a revolutionary threat. Bismarck said 'whoever has a pension to look forward to in his old age is much more contented and more easily taken care of than the man who has no prospect of any.' On another occasion, he remarked that such pensions, would teach 'even the common man' to look upon 'the Empire as a benevolent institution'. In the developed countries of the West, the state since then has been making a sizeable expenditure on old-age security, unemployment benefits, health, education and such other social services. All these are known as 'social security' or welfare measures. Provision for all these requires planning.

Answers to SAEs 3

- i. What did hopes generated by euphoria in the new nations give rise to?
- ii. Mention one (1) consequence of this expectation

The climate of independence and specifically, the rising expectations of the people of the new nations left the governments with little or no options than to play a central role in all facets of life of their societies.

For example, the Nigerian government has therefore, been an active player on the economic scene since independence. It has been investing directly in all strategic areas of economic activities, given the low capital formation capacity of the private sector.

Unit 4 Related Concepts

Unit Structure

- 4.1 Introduction
- 4.2 Learning Outcomes
- 4.3 Administration and Development
 - 4.3.1 Administration
 - 4.3.2 Development
- 4.4 Economic Development vs Economic Growth
 - 4.4.1 Economic Development
 - 4.4.1 Economic Growth
- 4.5 Modernisation and Underdevelopment
 - 4.5.1 Modernisation
 - 4.5.2 Underdevelopment
- 4.6 Summary
- 4.7 References/Further Readings/Web Resources
- 4.8 Possible Answers to Self-Assessment Exercise(s) within the content

4.1 Introduction

There are some related concepts such as development, growth, modernisation, and underdevelopment. Though similar, they are not exactly the same. In this unit we shall attempt to explain them for the proper understanding.

4.2 Learning Outcomes

By the end of this unit, you will be able to:

- discuss the meaning of development as espoused by dudley seers.
- analyse the difference between development and growth
- explain the meaning of modernisation

4.3 Administration and Development

4.3.1 Administration

The concept of administration tends to connote different things at the same time. For our purposes however, we are interested in that connotation that concerns “cooperative rational action for the attainment of declared objective” (Waldo Safritz, Hyde and Parkes, 2004). The above understanding of administration could be described as general and that specific understanding of administration would require our utilisation of the prefix “public”. In that event therefore, the word or

term “public administration” enables us differentiate. Moreover, this distinction enables us to further distinguish between publicly defined objectives as against private goals. In the quest to understand the concept of administration, we shall inevitably come across another concept which is management. Ordinarily, management is used to describe those sets of actions undertaken by leaders of organisation in their effort to use men and materials for the achievement of organisational goals. In this respect therefore, it becomes clear why the words management and administration are sometimes used interchangeably. For a proper analysis of the concept of administration, we shall single out the various components of Waldo’s definition for elaboration.

4.3.2 Development

It is debatable whether listing the attributes of development does not constitute more useful knowledge than the search for linguistic elegance and precise definitions of the concept. In other words, why search for elusive definitions when we all know, or think we know, in our minds what we are all talking about. Development as a concept is multi-dimensional and thus appears elusive. It is not, however, altogether a semantic escapism or academic obscurantism for us to search for a precise definition of the concept.

Dudley Seers, a renowned Cambridge University economic development scholar, was famous for replacing growth ‘fetishism’ of the early post-war period with social development. He stressed the relativistic nature of judgments about development and questioned the value of the neoclassical approach to economics. The scholar was an advocate of ‘true development’ which he stressed can be assessed by pointing searchlight on poverty, inequality, and unemployment as key development indicators. He, perhaps posed the most fundamental questions relating to the meaning of development when he asserted that:

The questions to ask about a country's development are therefore: what has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels, then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result 'development' even if per capita income doubled (Seers, 1969).

This way of posing the questions focuses the attention on the fundamental problems of underdevelopment which economic development is supposed to solve. While one may agree that the concept of development is a normative concept in the sense that it implies progress from a less desirable state to a more desired one, it would be difficult to find rational beings who would argue that the objective of eliminating poverty, inequality and unemployment for the largest majority of the population is not a desirable one. Seers maintained that 'true development' involves the elimination of poverty, increase in literacy and improvement in the health system as opposed to the increase of per capita output. Hence, the emphasis today in the development literature is on meeting basic needs and redistributing the benefits of growth.

According to Rodney (1972) development is a many sided process. At the individual level, it implies increased skill and capacity, greater freedom, creativity, self-discipline, responsibility and material well-being. At the level of social groups, development implies an increasing capacity to regulate both internal and external relationships. Rodney (1972) also defines economic development as a process where a society develops economically as its members increase jointly their capacity for dealing with the environment. He however argues that development should not be seen purely as economic affair, but rather as an overall social process which is dependent upon the outcome of man's efforts to deal with his natural environment.

Riggs (1971) sees development as a process of increasing autonomy of social systems made possible by a rising level of diffraction. This autonomy manifests itself in the form of increased ability of human societies to shape their physical, human and cultural environments. He presents an ecological view of development as an increasing ability to make and carry out collective decisions affecting environment. The essence of development is a process of improved decision-making rather than the output of those decisions. Riggs maintains that development level of a society is reflected in its ability to make decisions in order to control its environment. This decision-making capability is based on the level of diffraction in a society. Diffraction, in turn, is a function of differentiation and integration.

Rogers (1969) defines development as a type of social change in which new ideas are introduced into a social system in order to produce a higher per capita income and levels of living through more modern production methods and improved social organization. Todaro (1981:56) in Garba (2016) says that development is a multi-dimensional process involving the reorganization and reorientation of the entire economic and social systems. He continued to argue that development is a physical reality and a state of mind in which society has, through some

combinations of social, economic, and political processes secured the way of obtaining better life.

Development can also be defined as the coincidence of structural change and liberation of men from exploitation and oppression perpetrated by international capitalist bourgeoisie and their internal collaborators. Following this definition, therefore, real development involves a structural transformation of the economy, society, polity and culture of the satellite that permits the self-generating and self-perpetuating use of development of the people's potential.

Furthermore, according to Jhigan (1980), economic development can be defined in terms of an increase in the economy's real national income over a long period of time. But this is not a satisfactory definition. This definition fails to take into consideration change in the growth of population. If a rise in the real national income is accompanied by a faster growth in population, there will be no economic development. He goes further to say that economic development also relates to an increase in the per capita income of the economy over the long period. Economists are one in defining economic development in terms of an increase in per capita real income or output. Baran (1957) says let economic development be defined as an increase over time in per capita output of material goods. According to Buchanan and Ellis (1955), it is income potentialities of the underdeveloped areas by using investment to effect those changes and to augment those productive resources which promise to raise real income per person.

These definitions also have difficulties. An increase in per capita may not raise the standard of living of the masses because there is the possibility of the increased income going to the few rich instead of going to the many poor. There is also a tendency to define economic development from the point of view of economic welfare.

Economic development is referred to as a process whereby the real per capita income increases accompanied by reduction in inequalities of income and the satisfaction of the preferences of the masses as a whole. In the words of Okun and Richardson (1961), economic development is sustained, secular improvement in material wellbeing, which we may consider to be reflected in an increasing flow of goods and services. This definition is also not free from limitations. First, sustained growth in real national income does not necessarily mean improvement in economic welfare. A mere increase in economic welfare does not lead to economic development unless the resultant distribution of national income is considered just.

The term economic development is often used interchangeably with such terms as economic growth, economic welfare, economic progress, and secular change. However, some economists like Schumpeter and Hicks have made a distinction between the more commonly used terms; economic development and economic growth.

Economic development refers to the problems of underdeveloped countries and economic growth to those of advanced countries.

Development, according to Schumpeter (1934) is a discontinuous and spontaneous change in the stationary state which forever alters and displaces the equilibrium state previously existing while growth is a gradual and steady change in the long run which comes about by a general increase in the rate of savings and population. Hicks (1957) points out that the problems of underdeveloped countries are concerned with the development of unused resources even though their uses are well known while those of advanced countries are related to growth, most of their resources being already known and developed to a considerable extent. The simplest distinction is made by Madison (1970) in these words: The rise in income levels is generally called economic growth in rich countries and in poor ones it is called economic development.

Self-Assessment Exercise 1

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|---|
| <ol style="list-style-type: none">i. Explain the meaning of administrationii. Explain the meaning of development |
|---|

4.4 Economic Development vs Economic Growth

4.4.1 Economic Development

Furthermore, according to Jhigan (1980), economic development can be defined in terms of an increase in the economy's real national income over a long period of time. But this is not a satisfactory definition. This definition fails to take into consideration change in the growth of population. If a rise in the real national income is accompanied by a faster growth in population, there will be no economic development. He goes further to say that economic development also relates to an increase in the per capita income of the economy over the long period. Economists are one in defining economic development in terms of an increase in per capita real income or output. Baran (1957) says let economic development be defined as an increase over time in per capita output of material goods. According to Buchanan and Ellis (1955), it is

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4.4.2 Economic Growth

Everyman's Dictionary of Economics makes the distinction between economic growth and economic development more explicit. Generally, economic development means simply economic growth. More specifically, it is used to describe not only quantitative measures of a growing economy (such as the rate of increase in real income per head) but also the economic, social or other changes that lead to growth. Growth is measurable and objective: it describes expansion in the labour force, in capital, in the volume of trade and consumption. Economic development can be used to describe the underlying determinants of economic growth such as changes in techniques of production, social attitudes and institutions. Such changes may produce economic growth.

Economists generally use the term economic growth to refer to increases over time in a country's real output of goods and services - or more appropriately, real output per capita. Output is conveniently measured by gross national product (GNP) or national income, though other measures could also be used. On the other hand; economic development is a more comprehensive term. Some economists have defined it as growth, accompanied by change-changes in the structure of the economy, in the country's social structure, and in its political structure.

Growth does not necessarily imply development. Indeed, a well-known book about an African country is entitled 'growth without development.' What this essentially means is that a country produces more of the same type of goods and services to keep up with a growing population, while the benefits of this growth continue to go almost exclusively to a privileged elite and a small middle class; the vast majority of the country's population are completely unaffected. Development goes beyond this to imply changes in the composition of output and in the allocation of inputs by sectors. As with humans, to stress 'growth' involves focusing on height or weight (or GNP) while to emphasize 'development' draws attention to changes in functional capacities - in physical coordination, for example, or learning (or ability of the economy to adapt).

But despite these apparent differences some economists use these terms synonymously. Baran (1957) maintains that the mere notions of development and growth suggest a transition to something that is new from something that is old that has outlived itself. Lewis (1955) says in this connection that most often we shall refer only to growth but occasionally for the sake of variety *to* progress or *to* development.

Self-Assessment Exercise 2

- i. Explain economic development
- ii. Explain the differences between economic development and economic growth

4.5 Modernisation and Underdevelopment

4.5.1 Modernisation

Some writers define modernisation in terms of changing institutions; others stress changes in individual attitudes; still others emphasize group attitudes. Frequently, modernisation has been equated with the attitudes and institutions of capitalist western countries; a strong personal work ethic, individual entrepreneurship, materialism, optimism, and a group structure encouraging these attitudes and institutions. There is a growing dissatisfaction, however with ethnocentric definitions, and broader definitions of modernisation have been sought which could encompass all societies.

Nash views modernization as the process of transformation towards the establishment and institutionalization of modernity and by modernity he means the social, cultural, and psychological framework which facilitates the application of tested knowledge *to* all phases and branches of production. A similar view is that of Moore (1964) who refers *to* modernization as the rationalisation of social behaviour and social organisation (Anyebe, 2017).

Both definitions emphasize that modernisation is a process of becoming modern or process of social change. While the areas in which rationalisation takes place are essentially the same for all societies, Moore lists the areas as follows:

- monetisation and commercialisation;
- technification of production and distribution;
- demographic rationalization;
- education;
- bureaucratization; and
- secularization.

The study by Inkeles and Smith (1960) is an interesting attempt to define modernisation as a syndrome of individual attitudes that could be expected to be common to all societies. Specifically, the authors propose to classify as modern those personal qualities which are likely to be inculcated by participation in large-scale modern productive enterprises

such as the factory, and perhaps more crucial which may be required of the workers and the staff if the factory is to operate efficiently and effectively.

Inkeles and Smith began by identifying fourteen personal attributes of modernisation, including openness to new experiences, efficacy, understanding of productive processes, placing a high value on technical skills, and acceptance of skill as a valid base for distributing rewards. In addition, they looked at modernisation from a 'topical' perspective (e.g. attitudes towards family, family size, religion, politics, consumption) and a 'behavioural' perspective, which involve psychological testing, and interviews to determine political, and religious beliefs, and other activities. Finally, a fourth perspective was obtained by devising several modernity scales combining elements of the other three perspectives:

Inkeles and Smith concluded that 'modern man's character...' may be summed up under four major headings. He is an informed participant citizen; he has a marked sense of personal efficacy; he is highly independent and autonomous in his relation to traditional sources of influence, especially when he is making basic decisions about how to conduct his personal affairs; and he is ready for new experiences and ideas, that is, he is relatively open minded and cognitively flexible.

The term modernisation is also employed by some authors to refer to the process by which a traditional society is undergoing transformation and becoming modern. Other authors use the term to describe the process by which traditional societies become more western, or acquire the character of the technologically advanced countries. Thus, a modern society or modernising society is one that is highly educated and technologised.

4.5.2 Underdevelopment

Ordinarily, the term underdevelopment refers to a situation where the economic, social, and political conditions of a nation are at their rudimentary stage of development. Using the major indicators of development, these nations are backward. Thus, these nations lack key development facilities including the following: efficient and effective transportation network, communication system, and other infrastructural facilities such as power, water supply and housing. Other indicators of underdevelopment include poor education, poor health, and generally low standard of living. This traditional approach to the description of underdevelopment has been found to be very limited as it does not explain the causes of underdevelopment nor is it capable of providing prescriptions for underdevelopment. In reaction to this limitation radical students of development such as Gunder Frank argue that it is capitalism

both World and national which produced under development in the past and which still generates underdevelopment in the present.

Let us look at another description by Rodney. According to him, underdevelopment is not absence of development, because every people have developed in one way or another and to a greater or lesser extent. It makes sense only as a way of comparing levels of development. Underdevelopment is very much tied to the fact that human-social development has been uneven and from a strictly economic viewpoint some human groups have advanced further by producing more and becoming healthier. To Rodney, underdevelopment expresses the relationship of exploitation, namely the exploitation of one country by another (Rodney, 1972).

Underdevelopment can be defined in many ways: by the incidence of poverty, ignorance or diseases, maldistribution of the national income, administrative incompetence and social disorganisation. There is thus not a single definition, which is so comprehensive as to incorporate all the features of an underdeveloped country. Kuznets (1966) therefore, suggests three definitions of underdevelopment:

First, it may mean failure to utilize fully the productive potential warranted by the existing state of technical knowledge, a failure resulting from the resistance of social institutions. Second, it may mean backwardness in economic performance compared with the few economically leading countries of the period. Third, it may mean economic poverty in the sense of failure to assure adequate subsistence and material comfort to most of a country's population.

Self-Assessment Exercise 3

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| <ol style="list-style-type: none">i. Explain the term “modernisation”ii. Describe underdevelopment |
|---|

4.6 Summary

There are some related concepts such as development, growth, modernisation, and underdevelopment. Though, apparently similar, they are the same. In this unit we have attempted to explain them for the proper understanding of development administration.

4.7 References/Further Readings/Web Resources

- Anyebe, A.A. (2017). *Development Administration: A New Focus for the Discipline in Nigeria*. Zaria: Faith International Printers and Publishers.
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4.8 Possible Answers to SAEs.

Answers to SAEs 1

- i. Explain the meaning of administration
- ii. Explain the meaning of development

Administration is concerned with “cooperative rational action for the attainment of declared objective”. Development administration can be said to be a system of administration geared towards development and it is characterised by innovation and social engineering. It initiates and manages development. In the quest to understand the concept of administration, we shall inevitably come across another concept which is management. Ordinarily, management is used to describe those sets of actions undertaken by leaders of organisation in their effort to use men and materials for the achievement of organisational goals. In this respect therefore, it becomes clear why the words management and administration are sometimes used interchangeably. For a proper analysis of the concept of administration, we shall single out the various components of Waldo’s definition for elaboration.

Dudley Seers, perhaps posed the most fundamental questions relating to the meaning of development when he asserted that: The questions to ask about a country's development are therefore: what has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels, then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result 'development' even if per capita income doubled. While one may agree that the concept of development is a normative concept in the sense that it implies progress from a less desirable state to a more desired one, it would be difficult to find rational beings who would argue that the objective of eliminating poverty, inequality and unemployment for the largest majority of the population is not a desirable one.

Answers to SAEs 2

- i. Explain economic development
- ii. Explain the differences between economic development and economic growth

Economic development can be defined in terms of an increase in the economy's real national income over a long period of time. Economic

development refers to the problems of underdeveloped countries and economic growth to those of advanced countries.

Economists generally use the term economic growth to refer to increases over time in a country's real output of goods and services - or more appropriately, real output per capita. Output is conveniently measured by gross national product (GNP) or national income, though other measures could also be used. On the other hand; economic development is a more comprehensive term. Some economists have defined it as growth, accompanied by change-changes in the structure of the economy, in the country's social structure, and in its political structure.

Answers to SAEs 3

- i. Explain the term “modernisation”
- ii. Describe underdevelopment

Some writers define modernisation in terms of changing institutions; others stress changes in individual attitudes; still others emphasize group attitudes. Frequently, modernisation has been equated with the attitudes and institutions of capitalist western countries; a strong personal work ethic, individual entrepreneurship, materialism, optimism, and a group structure encouraging these attitudes and institutions. There is a growing dissatisfaction, however with ethnocentric definitions, and broader definitions of modernisation have been sought which could encompass all societies.

Ordinarily, the term underdevelopment refers to a situation where the economic, social, and political conditions of a nation are at their rudimentary stage of development. Using the major indicators of development, these nations are backward.

Unit 5 Theories of Development & Theories of Growth

Unit Structure

- 5.1 Introduction
- 5.2 Learning Outcomes
- 5.3 Smithian Theory and Das Kapital
 - 5.3.1 Smithian Thoery and its Limitations
 - 5.3.2 Das Kapital
- 5.4 Non-Communist Manifesto Theory of Development and its Criticisms
 - 5.4.1 Non-Communist Manifesto Theory of Development
 - 5.4.1 Criticisms
- 5.5 Malthusian Theory of Population Growth and Economic Development & Harrod-Dormer Economic Growth Model
 - 5.5.1 Malthusian Theory of Population Growth and Economic Development
 - 5.5.2 Harrod-Domar Economic Growth Model
- 5.6 Summary
- 5.7 References/Further Readings/Web Resources
- 5.8 Possible Answers to Self-Assessment Exercise(s) within the content

5.1 Introduction

There are some theories employed to explain development and growth. This unit attempts to explain such theories as Smithian Theory, Das Kapital, Non-Communist Manifesto Theory of Development and Harrod-Domar Economic Growth Model

5.2 Learning Outcomes

By the end of this unit, you will be able to:

- give an overview of theories of development.
- analyse smithian theory
- evaluate das kapital

5.3 Smithian Theory and Das Kapital

5.3.1 Smithian Thoery and its Limitations

Adam Smith is considered to be the father of economics. It is not because he was the first explorer in the field of economics nor that he revolutionised economics by his maiden ideas but because he abbreviated what he had received from his predecessors and handed

them down as a guide for the coming generations. He was the editor and not the author, the organiser and not the originator of economics.

Smith's ideas on economic development were expounded in his publication of 1776 entitled 'An Inquiry into the Nature and Causes of the Wealth of Nation otherwise known as Wealth of the Nation. The following are the salient features of Smithian theory of development:

- Every man is directed by the 'invisible hand' and everyone is free to act. He argued that in free trade without government intervention, competitive markets tend to maximize national wealth.
- According to Adam Smith, division of labour tends to result in greatest improvement in the productive powers of labour. He argued that the increase in productivity would arise as a result of (a) efficiency of every worker (b) saving in time with more goods production, and (c) invention of more labour.
- Capital accumulation must precede the introduction of division of labour. He pointed that as the accumulation of stock must, in the nature of things, be previous to division of labour, so labour can be more subdivided in proportion only as stock is previously more accumulated.
- According to Smith, producers and businessmen are agents of progress and economic growth. The market expands with free trade. Development in agriculture leads to increase in construction work and commerce.

His critics noted that Smith did not invent many of the ideas that he wrote about, however, he was the first person to compile and publish them in a format designed to explain them to the average reader of the day. As a result, he was responsible for popularising many of the ideas that underpinned the school of thought that became known as classical economics. Other economists built on Smith's work to solidify classical economics theory which became the dominant school of economical thought through the great economic depression of the 1930s. His work 'the division of labour in society' was very influential. It described how social order is maintained in society and ways in which primitive society can make the transition to more advanced societies. Natural law, division of labour, capital accumulation, processes of growth, laissez-faire as agents of growth are all part of Smith's work on economic development. Laissez-faire philosophies such as minimising the role of government intervention and taxation in the markets and the idea that an invisible hand guides supply and demand are among the key ideas. This idea indicates that

each person by looking out for himself or herself, inadvertently helps to create the best outcome for all. It is not from the benevolent butcher, the brewer or the baker that we can expect our dinner but from those with self-interest.

➤ The Smithian theory of development was based on socio-economic environment prevailing in Europe. It assumes the existence of a rigid society between capitalists and labourers. The modern society has an important place for the middle class. Smithian theory completely neglects the role of middle class and the role it plays in giving the necessary impetus to economic development.

➤ Applicability of Smithian theory of development in underdeveloped countries is not feasible. This is due to small market, little saving and low income.

Smith did not propound any specific theory of development. His views relating to economic development are part of general economic principle propounded by him.

Self-Assessment Exercise 1

- i. Explain the criticisms of Smithian theory
- ii. Explain the strengths of Das Kapital

5.3.2 Das Kapital

Karl Marx in his own way sought to replace Utopian Socialism with Scientific Socialism. Marx and Engels analysed the inter-connection of social problems, findings, and their solutions. In the communist manifesto, Marx and Engels came out with an interpretation of the role of the working class in the making of history. He urged workers of all countries to unite and torpedo the capitalist system as they have nothing to lose but their chains.

The basic principles of Marxism philosophy include:

- Dialectical Materialism,
- Historical materialism,
- Class conflict-the history of all hitherto existing society in the history of class struggle-communist manifesto (1848),
- The theory of surplus value,
- Socialism and dictatorship of the proletariat, and

- Classless society.

The leading works of Karl Marx include:

- The German ideology
- The Communist Manifesto (1848)
- Class struggle in France
- The 18th Brumaire of Louis Bornaparte
- A Contribution to the Critique of Political Economy (1859)
- Das Kapital Vol. 1 (1861-79)

The first volume of Das Kapital came out in 1867 and the second and third volumes were completed by Engels and they came out in 1885 and 1894 respectively, after the death of Marx. Without mincing words, we can posit ‘Das Kapital’ made Karl Marx an international scholar. The book contains an analytical approach to the political, economic and social conditions inherent in the exploitative capitalist mode of production. To achieve his objective, Marx brought the theory of surplus value and the idea that everything ought to be measured in terms of the labour expended in its production. To this end Marx began his study by explaining how commodity production leads to the creation of surplus value.

Karl Marx began his analysis of simple commodity production which he described as the cell of Capitalism (communal slave and feudal systems). Capitalism according to Marx is a whole, a living organism and in order to scientifically understand it, one must understand its simple cells i.e. the commodity.

In capitalism everything is bought and sold (Buzuer & Buzuer, 1986). Even the people’s labour power becomes a commodity. The relations between people in society take the form of relation between commodities.

Historically, the commodity precedes money. Commodity production is the production of product not for personal consumption but for sale and market exchange. A certain product is made and then exchanged for another in the market. Simple commodity production is characterized by the exploitation of labour power so as to ultimately make profit by appropriating the unpaid labour of the worker.

The value of the commodity is therefore determined by its socially necessary labour time. As Marx said the labour time is the required time

to produce any use-value under the condition of production normal for a given society and with average degree of skill and intensity of labour prevalent in that society (Wikipedia 2011). He pointed that one can produce a use-value without a commodity, if one produces a product solely for his own benefit or need he has produced use-value. But since exchange does not take place, it is not a commodity. Value therefore, can only be derived when the commodity has use-value for others (i.e. exchange value). Marx calls this social use-value.

Before goods are exchanged, there has to be common ground for quality and comparability. Commodities are the product of human labour. Labour expended on the production of commodities forms their value.

The more labour is spent in the manufacture of a commodity, the greater will be its value, but this amount is not written anywhere on the commodity. The value of the commodity is revealed only in exchange through exchange value.

Marx was of the opinion that the whole system of capitalism was predicted on the theory of surplus value. The theory clearly shows how the capitalist mode of production involves the exploitation of the working class. Prior to Karl Marx, Adam Smith to a small extent and David Ricardo to a large extent had propounded 'the labour theory of value'. They maintained that labour has no value and that it is not an exchangeable commodity. The labour of the labourer is thus a perishable commodity and is readily available because the labourer cannot preserve it. They argued that profits should go to the entrepreneur, rent to the landlord, and the wages to the labourer.

However, according to Karl Marx, labour which comprises the physical, psychological and intellectual capacities of the workers connected with the production of material goods, is the sole creator of value out of the four elements of production i.e. land, labour, capital, and organization. Three of the elements (land, capital, and organization) are sterile because they are capable of reproducing only what is put in them. Labour is the only component which varies in terms of input during production.

Karl maintained that price or even profits are the market expression of value and if this so then it logically follows that the worker should partake in profit sharing. However, the capitalist would not agree to this and the only solution will be for the workers to overflow the capitalists and wrestle political power from their hands.

From the foregoing, we can make the following deductions:

- 5 hours – the socially necessary labour
- 3 hours – surplus labour time which translates in the production of surplus value.

The division of society into two hostile camps, the haves and the have-not breeds class struggle. Class struggle facilitates human liberation. The proletariat who is born with the bourgeoisie but everywhere in chains would liberate him. We can draw an analogy with the Soviet Union, after the Bolshevik Revolution of 1917, in virtually seventy years it achieved what America achieved in 200 years. Marx envisaged that class struggle would end with the destruction of capitalism and communism would be a classless society.

Constant changes in the means of production heralds corresponding changes in the superstructure. In other words a change in the economy would affect the relations of production.

Marx accepted that capitalism has revolutionized production and developed technology as never before. It built and encouraged the growth of commerce and factories on a scale unknown before. By the very range of its activity capitalism undermined natural barriers (e.g. multi-national corporations) as the bourgeoisie crossed national boundaries and penetrated every corner of the world, drawing the most backward nations into their fold (colonialism and neocolonialism). Marx accepted that capitalism was cosmopolitan and international. In spite of all these, Marx posited that capitalism has outlived its usefulness because of the suffering and hardships it caused. Marx on this note implored the workers of all countries to unite and torpedo the capitalist system.

The laws of dialectics see social phenomena in a constant state of change.

A critique of *Das Kapital* revealed that Karl Marx has paid too much attention to labour that he became blindfolded to the role and importance of capital in a system of production. Similarly, the revolutionary conclusion of Karl Marx smacks of utopia. He concluded that capitalist system of exploitation and inequality would make the proletariat to overthrow the system. However, two centuries have passed, the prophecy of Marx occurred only in backward Russia and China. This repudiates his conclusion that revolution would occur in a developed society. Similarly, the capitalist state has over the years introduced many

palliative measures as demonstrated under welfare programmes. This has helped tremendously to douse the militancy and revolutionary.

Although Marx claimed that he turned Hegel upside down and coined his brand of socialism as scientific, his exposition was systematic and cogent. These observations and decompositions of communism are idealistic and exploratory.

However, in spite of his limitations, Karl Marx is still a great thinker, a lawyer, a philosopher and above all a humanist who believed in genuine emancipation and liberation of human beings. He registered protest against every kind of domination. It is true that many of his predictions did not materialize but he has invented new modes of thinking about economic and political issues.

Finally, we can see the collapse of socialism in Eastern Europe by the end of 1980s and its collapse in the former Soviet Union by 1991 followed by the introduction of glasnost and perestroika which have seriously undermined the Marxist theory. Even China, which still claims to retain its communist system, is introducing market reforms.

5.4 Non-Communist Manifesto Theory of Development and its Criticisms

5.4.1 Non-Communist Manifesto Theory of Development

Walt Whitman Rostow, one of the most important scholars pioneering modernisation theory, published his most famous book- *The Stages of Economic Growth*, in 1960. The message of the book's subtitle, 'A Non-communist Manifesto' was clear. If poor countries intend to develop they should adopt capitalism, not communism. Rostow who presented his manifesto as the alternative to Marxism outlined five stages of economic development. He discussed many countries in his 167-page book: Britain, France, the United States, Germany, Sweden, Japan, Russia, Canada, Australia, Turkey, Argentina, Mexico, China and India, covering a time frame from 1780 to 1959. After reviewing the histories of those countries, he maintained that it is possible to identify all societies in their economic dimensions as lying within one of five categories: the traditional society, the preconditions for take-off, take-off, the drive to maturity, and the age of high mass consumption (Rostow, 1960).

The Traditional Society: this is the stage that is primitive in nature. It is characterised by subsistence agriculture. The use of crude of farming implements limited the society capacity to engage in large scale farming. This is the periods that predated Sir Isaac Newton's science and

technology. The progress made in all economic sectors was grossly limited. At this stage, a quite significant percentage of the population engage in food production at the subsistence level. The political powers are in the hands of the feudal lords or a small central authority. The people at the traditional stage, as established by Rostow, are resistant to change and the societies are more or less static and classless, that is, there is absolute absence of individual economic mobility.

The Preconditions for Take-off: this is the transitional stage where the society is able to generate surplus due to increased specialisation. Transport infrastructures are here to support the increased trade. Also at this stage, entrepreneurs come forth, investment become possible as there are more savings resulting from more income. The society at the transitional stage engages in external trade even though it concentrates on agricultural products and raw materials. The internal demand for these raw materials inevitably initiates economic changes. There is increased spread of technology and advances in the existing technology. There is also change in social structure and individual social mobility absent in the traditional stage begins. Traditional stage also witnessed the development of national identity and showed economic interest.

It is noteworthy that the precondition for take-off were initially developed in western Europe of 17th and 18th centuries as the insights of modern science started to be translated into new production functions in both agriculture and industry. This is contrary to what happened in the developing countries that their preconditions for take-off happened as a result of external intrusion by more advanced countries. This distortion naturally unfastened the traditional societies of the LDCs to comply with the linear assumption of Rostow on the chronological economic development. Perhaps this could explain the reason for the existence of traditional society side by side with the modern economy.

Finally, one condition that became necessary for take-off was the building of an effective centralised state.

The Take-Off: This is the stage many often regard as watershed in the historical development of modern societies. It is said that it is the interval when the old blocks and resistance to steady growth are finally suppressed. The factors that limited economic growth are overcome. So growth becomes a normal condition. In Britain and some other countries like USA and Canada, stimulus for take-off was triggered mainly by technology. This stage did not only witness massive economic growth but also emergence of political powers of a group that was ready to see the modernisation of the economy as lucrative political business.

Again, during the take-off stage, new industries expand rapidly for workers to work in the factories as well as service to support these workers all these have multiplier effect on expansion in the economy and exploitation of unused natural resources and methods of production. Also, rapid urbanisation and technological breakthrough fast forward the unprecedented shift from primary to secondary production. At this juncture, structure of the economy and socio-political structure are transformed in order to sustain steady growth.

Drive to Maturity: This is the stage in which the economy demonstrates the capacity to move beyond the original industries which powered its take-off and to absorb and to apply efficiently over a very wide range of its resources. The maturity stage is where the economy fully exhibits its technological and entrepreneurial talents to produce anything it chooses to produce.

Also, there is large scale investment in social infrastructure like schools, hospitals, university, etc. Manufacturing shifts from investment drives i.e capital goods towards consumer durables and domestic consumption and above all, the economy is diversified into new areas and there is less reliance on imports.

Age of High Mass Consumption: This is the stage where the economy is geared towards mass consumption, and the level of economy activity is very high. Technology is extensively used but its expansion is slow. The service sector becomes increasingly dormant and urbanisation is complete. At this stage multi-nationals emerge, income for large number of individuals go beyond the physiological need such as the need for food, shelter, and clothing. There is increased interest in social welfare.

The society at the stage of mass consumption ceases to accept further expansion of modern technology as paramount goal. For instance, western societies allocate more resources to social welfare and security through political process than to other sectors. The emergence of welfare state is an indication that the society is moving beyond technical maturity and also resources are increasingly directed to the consumer's durable and to the diffusion of services on a mass basis. The serving-machine, bicycle and the then electric-powered household gadgets are gradually diffused.

Of the five stages, "take-off" is the most significant. Those that pass the stage of "take-off" are regarded as developed countries; those that have not reached that stage are viewed as developing and may not have an infrastructure that is able to adequately support an efficient national market. The market is key to economic development, and we can, of course, track our ancestry to Adam Smith (Rostow, 1960). In order to take off, a country would need foreign aid to build the infrastructure of a

market economy. Foreign aid has been a critical factor in the take-off phase of many developing countries because it has helped to finance large capital-intensive infrastructural projects, such as the construction of railroads and highways. Rostow continued to make a strong case for foreign aid: external assistance must be organised on an enlarged and ... more stable basis. Modernisation should be initiated by some intrusion from abroad (Anyebe, 2017).

Instead encouraging indigenous development, Rostow preferred assistance from outside, the World Bank, direct foreign investment, multinationals and [even] military adviser (Ulrich, 2003). Overall, Rostow argued for a one path-fits-all approach to economic development. To modernise was to move a country from a lower stage to a higher one; every country would follow the same path. As Rostow (1971) claimed that modernisation in an interconnected world is a single case of modernisation.

Rostow's stages of growth have not received unreserved acceptance. Caincross (1961), for example, has quarreled with the overlapping nature of the characteristics of these stages of development. Szentesi (1955) sees the definition of these stages of linear growth as tautological and arbitrary. This, he maintains- would lead to a faulty interpretation of economy and society, the essence of social development.

Other criticisms leveled against Rostow's postulation include the fact that Rostow believed that development is a phenomenon that is deterministic in nature. He was convinced that every society must pass through these stages on their ways to economic development. However, his description only centred on western countries of Europe and North America in the late 19th and early 20th century. There have been various departures from his scheme in the post new era such as the swift re-development of Japan and Germany following the devastation in World War II, state led development in the Soviet Union, China and other communist nations, the resource based development of Persian Gulf countries. Rostow, having taken western society as the model for his theory and did not mention about the societies with different social and cultural backgrounds. The transformation of the development from these developed nations might not favour the social cultural and geographical condition of the developing countries. Rostow's theory is also being criticised for being vague and abstract. It positioned countries as isolated entities that development was neither influenced by external factors nor by terms of trade, thus the theory proved to be quite unpractical and unrealistic in a world shaped by international forces like financial markets and institutions, trade dynamics and or migration flow.

Self-Assessment Exercise 2

- i. Explain the age of high mass consumption
- ii. Give one criticism of the theory

5.4.2 Criticisms

Rostow failed to elaborate in detail on what are the precondition stated in transitional stage and the conditions for take-off. Yet, he indicated that the main engine for growth is limited to savings and investment forgetting that a country may resort to borrowing as Nigeria is currently resorting to aid and external loans.

Trade theorists like Prebisch, Lewis and Singer who are critics of the conventional international trade theory see development in terms of changes in external trade in particular and contemporary international economic relations and the effects of colonialism as constituting obstacles to the development of the periphery of the world economic system. Wallman (1969), in his book perceptions of development also defines development as an inevitable but certainly linear movement towards a condition of maximum industrialisation, modern technology, high(est) GNP and high(est) material standards of living. He went further to say that philosophically development implies 'progress' which itself implies evolution towards some ultimate good.

Development, thus, is an elusive term meaning different things to different groups of social scientists. Most would agree that development implies more than just a rise in real national income; that it must be a sustained secular rise in real income accompanied by changes in social attitudes and customs, which have in the past impeded economic progress.

The Harrod-Domar growth model is used in development economics to explain an economic growth rate in terms of level of saving and productivity of capital. It suggests that there is no natural reason for an economy to have balanced growth. The model was developed, independently, by Sir Roy .F. Harrod in 1939 and Evsy Domar in 1946. The Harrod-Domar model was the precursor to the Exogenous Growth Model (EGM). The model postulates three kinds of growth: warranted growth; natural rate of growth, and actual growth.

- Warranted growth: this refers to the rate of output growth at which firms believe they have the correct amount of capital and therefore do not increase or decrease investment, given expectations of future demand.

- Natural rate of growth: the rate at which the labour force expands, a larger labour generally means a larger aggregate output.
- Actual growth: the actual growth output change.

Harrod-Domar (HD) model is concerned with how savings, capital and investment are related to the economic growth of a country. The model maintains that a country's economic growth is determined by the national savings and capital derived from investment. Capital and capital accumulation occupy central position in the model –since savings are converted into capital, before production. The rate of growth, therefore, depends on the performance of capital. It is reasoned that if the new capital employed is efficient and meets expected targets, then the rate of growth will be fast. On the other hand, if this expectation is not met, the reverse will be the case.

The main contention of the model, therefore, is that:

- Every economy must save a certain proportion of its national income in order to replace worn-out capital goods.
- In order to generate more capital, every economy must generate its saving.
- Investment must be productive, if more capital is to be generated. What this implies is that the more a country is able to save from the national income, the faster it will develop.
- In the event of a gap between domestic savings and the needed investment for development (i.e. there is a financing gap), the model favours foreign investment in the form of loans, aids and private foreign investment.

The model sees economic growth in stages that starts off from the agricultural, and moves on to investment economic system. Thus, HD model sees all production investments are useful for economic growth and development whether they arise from domestic savings or foreign aid.

Harrod-Domar model, more specifically says that in the absence of government, the growth rate of national income will directly or positively be related to the savings ratios (i.e. the more an economy is able to save and invest out of a given GNP, the greater the growth of that GNP will be). The model further states that the growth rate of national income will be inversely or negatively related to the economic capital output ratio. Although the model was initially created to help analyse the business cycle, it was later adapted to explain economic growth.

Let us look at some of the definitions of growth as given by other writers. Kuznets (1971) defines growth as a long-term rise in capacity to supply increasingly diverse economic goods to a population, this growing capacity being based on advancing technology and the institutional and ideological adjustments that it demands.

This definition has three components:

- the economic growth of a nation is identified by the sustained increase in the supply of goods;
- Advancing technology is the permissive factor, which determines the growth of capacity in supplying diverse goods to the population; and
- for an efficient and wide use of technology, institutional and ideological adjustments must be made to effect the proper use of innovations generated by advancing stock of human knowledge

The above definition superseded the earlier definition by Kuznets who had in 1966 defined economic growth as a sustained increase in per capita or per worker product, most often accompanied by an increase in population and usually by sweeping structural changes.

According to Schumpeter (1934), growth is a gradual and steady change in the long run which comes about by a general increase in the rate of savings and population. Some economists generally use the term economic growth to refer to increases in a country's real output of goods and services or more appropriately, real output per capita. Strictly, it refers to sustained increases in productivity over a relatively long period. An index of such growth at the national level is not an increase in national product. In concrete terms, growth modifies structures, attitudes, and technique, and where it is sustained, its economic effects are considerable.

In the larger sense, growth includes three variables; an upward trend in Gross National Product and Revenue over a long period; a self-sustained character of the growth and which is largely irreversible; and growth is also a movement of structural transformation.

Conceptually, growth implies change leading to increase in size including height and weight. Thus, economic growth means increase in economic resources or increased income. A nation is said to have recorded economic growth if that nation has experienced increase in national income or in per capita income.

No single definition of development is entirely satisfactory and it has been defined in various ways. For the average person, the term

economic development refers simply to achievement by poor countries of higher levels of real per capita income and of improved condition of living for their people. In a technical sense, economic development refers to a process of economic growth within an economy, the central objective of the process being higher and rising real per capita income for that economy (with the benefits of this higher and rising income being widely diffused within the economy).

5.5 Malthusian Theory of Population Growth Economic Development & Harrod-Dormer Economic Model

5.5.1 Malthusian Theory of Population Growth Economic Development

The issue of population and economic growth is as old as the discipline of economics itself. The debate on the relationship between population and economic growth could be traced back to 1798 when Thomas Malthus published the book entitled 'An Essay on the Principle of population'. Malthus claimed that there was a tendency for the population growth rate to surpass the production growth rate because population increases at a geometrical or exponential rate while production increases at an arithmetic rate. Thus, the unfettered population growth in a country could plunge it into acute poverty. However, the pessimistic view has proven unfounded for developed economies in that they managed to achieve a high level of economic growth and thus, both population and the real gross domestic product (GDP) per capita were able to increase. The debate between positive and negative sides of population growth is ongoing. Population growth enlarges labour force and therefore, increases economic growth. A large population also provides a large domestic market for the economy. Moreover, population growth encourages competition, which induces technological advancements and innovations. Nevertheless, large population growth is not only associated with food problem but also imposes constraints on the development of savings, foreign exchange and human resources. Generally, there is no consensus whether population growth is beneficial or detrimental to economic growth in developing economies. Moreover, empirical evidence on the matter for developing economies is relatively limited.

This issue of population and economic growth is also closely related to the issue of minimum wage. Population growth enlarges labour force and therefore, will push wage down. The standard economic labour demand model predicts that low wage will raise the demand for labour. As a result, the welfare of the economy is likely to increase. Moreover, low wage would encourage industries that are labour intensive. Low

wage is said to be an important factor that has contributed to the industrialisation of the African societies.

Fortunately for mankind, the dire prophecies of Malthus never arrived. Mitigating factors such as technological developments, agricultural developments, changes in societal organisation, and changes in governmental policies, among other things, enabled humanity to avoid a situation where the number of people was greater than the capacity to sustain them. Malthusian theory then fell to the wayside as a result. These factors, coupled with a prevailing progress borne out of this period of frenetic economic development, expansion and invention have brought about the demise of the population growth theory.

5.5.2 Harrod-Domar Economic Growth Model

The Harrod-Domargrowth model is used in development economics to explain an economic growth rate in terms of level of saving and productivity of capital. It suggests that there is no natural reason for an economy to have balanced growth. The model was developed, independently, by Sir Roy .F. Harrod in 1939 and Evsy Domar in 1946. The Harrod-Domar model was the precursor to the Exogenous Growth Model (EGM). The model postulates three kinds of growth: warranted growth; natural rate of growth, and actual growth.

- Warranted growth: this refers to the rate of output growth at which firms believe they have the correct amount of capital and therefore do not increase or decrease investment, given expectations of future demand.
- Natural rate of growth: the rate at which the labour force expands, a larger labour generally means a larger aggregate output.
- Actual growth: the actual growth output change.

Harrod-Domar (HD) model is concerned with how savings, capital and investment are related to the economic growth of a country. The model maintains that a country's economic growth is determined by the national savings and capital derived from investment. Capital and capital accumulation occupy central position in the model –since savings are converted into capital, before production. The rate of growth, therefore, depends on the performance of capital. It is reasoned that if the new capital employed is efficient and meets expected targets, then the rate of growth will be fast. On the other hand, if this expectation is not met, the reverse will be the case.

Self-Assessment Exercise 3

- i. Give some limitations of Malthusian Theory of Population Growth and Economic development
- ii. Evaluate the strengths of Harrod-Dormer Economic Growth Model

The main contention of the model, therefore, is that:

- Every economy must save a certain proportion of its national income in order to replace worn-out capital goods.
- In order to generate more capital, every economy must generate its saving.
- Investment must be productive, if more capital is to be generated. What this implies is that the more a country is able to save from the national income, the faster it will develop.
- In the event of a gap between domestic savings and the needed investment for development (i.e. there is a financing gap), the model favours foreign investment in the form of loans, aids and private foreign investment.

The model sees economic growth in stages that starts off from the agricultural, and moves on to investment economic system. Thus, HD model sees all production investments are useful for economic growth and development whether they arise from domestic savings or foreign aid.

Harrod-Domar model, more specifically says that in the absence of government, the growth rate of national income will directly or positively be related to the savings ratios (i.e. the more an economy is able to save and invest out of a given GNP, the greater the growth of that GNP will be). The model further states that the growth rate of national income will be inversely or negatively related to the economic capital output ratio. Although the model was initially created to help analyse the business cycle, it was later adapted to explain economic growth.

5.6 Summary

We employed some theories to explain development and growth. This unit therefore, attempted to explain such theories as Smithian Theory, Das Kapital, Non-Communist Manifesto Theory of Development and Harrod-Domar Economic Growth Model

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5.8 Possible Answers to SAEs.

Answers to SAEs 1

- i. Explain the criticisms of Smithian theory
- ii. Explain the strengths of Das Kapital

Critics of Smithian Theory noted that Smith did not invent many of the ideas that he wrote about, however, he was the first person to compile and publish them in a format designed to explain them to the average reader of the day. As a result, he was responsible for popularising many of the ideas that underpinned the school of thought that became known as classical economics. Other economists built on Smith's work to solidify classical economics theory which became the dominant school of economical thought through the great economic depression of the 1930s. His work 'the division of labour in society' was very influential. It described how social order is maintained in society and ways in which primitive society can make the transition to more advanced societies. Natural law, division of labour, capital accumulation, processes of growth, laissez-faire as agents of growth are all part of Smith's work on economic development. Laissez-faire philosophies such as minimising the role of government intervention and taxation in the markets and the idea that an invisible hand guides supply and demand are among the key ideas. This idea indicates that each person by looking out for himself or herself, inadvertently helps to create the best outcome for all. It is not from the benevolent butcher, the brewer or the baker that we can expect our dinner but from those with self-interest.

In spite of his limitations, Karl Marx is still a great thinker, a lawyer, a philosopher and above all a humanist who believed in genuine emancipation and liberation of human beings. He registered protest against every kind of domination. It is true that many of his predictions did not materialize but he has invented new modes of thinking about economic and political issues.

Finally, we can see the collapse of socialism in Eastern Europe by the end of 1980s and its collapse in the former Soviet Union by 1991 followed by the introduction of glasnost and perestroika which have seriously undermined the Marxist theory. Even China, which still claims to retain its communist system, is introducing market reforms.

Answers to SAEs 2

- i. Explain the age of high mass consumption
- ii. Give one criticism of the theory

This is the stage where the economy is geared towards mass consumption, and the level of economy activity is very high. Technology is extensively used but its expansion is slow. The service sector becomes increasingly dormant and urbanisation is complete. At this stage multi-nationals emerge, income for large number of individuals go beyond the physiological need such as the need for food, shelter, and clothing. There is increased interest in social welfare.

Rostow failed to elaborate in detail on what are the precondition stated in transitional stage and the conditions for take-off. Yet, he indicated that the main engine for growth is limited to savings and investment forgetting that a country may resort to borrowing as Nigeria is currently resorting to aid and external loans.

Answers to SAEs 3

- i. Give some limitations of Malthusian Theory of Population Growth and Economic development
- ii. Evaluate the strengths of Harrod-Dormer Economic Growth Model

Fortunately for mankind, the dire prophecies of Malthus never arrived. Mitigating factors such as technological developments, agricultural developments, changes in societal organisation, and changes in governmental policies, among other things, enabled humanity to avoid a situation where the number of people was greater than the capacity to sustain them. Malthusian theory then fell to the wayside as a result. These factors, coupled with a prevailing progress borne out of this period of frenetic economic development, expansion and invention have brought about the demise of the population growth theory.

The model sees economic growth in stages that starts off from the agricultural, and moves on to investment economic system. Thus, HD model sees all production investments are useful for economic growth and development whether they arise from domestic savings or foreign aid.

Harrod-Domar model, more specifically says that in the absence of government, the growth rate of national income will directly or positively be related to the savings ratios (i.e. the more an economy is able to save and invest out of a given GNP, the greater the growth of that GNP will be). The model further states that the growth rate of national income will be inversely or negatively related to the economic capital output ratio. Although the model was initially created to help analyse the business cycle, it was later adapted to explain economic growth.

MODULE 2

Unit 1	Meaning of Planning
Unit 2	Types of Planning – Indicative, Imperative & Totalitarian Planning
Unit 3	Types of Planning contd – Democratic, Rolling & Corrective Planning
Unit 4	Types of Planning contd – Centralised & Decentralised Planning
Unit 5	Types of Planning contd – Planning in a Mixed Economy and Development Planning

UNIT 1 MEANING OF PLANNING

Unit Structure

- 1.1 Introduction
- 1.2 Learning outcomes
- 1.3 Concept of Planning
 - 1.3.1 Definition of Planning by Buchacet
 - 1.3.2 Definition of Planning at Minnowbrook Conference
- 1.4 Why Plan?
 - 1.4.1 Why does an Individual Plan?
 - 1.4.2 Why do Nations Plan?
- 1.5 Planning Approaches
 - 1.5.1 Bottom – Up Approach
 - 1.5.2 Top – Down Approach and Interactive Approach
- 1.6 Summary
- 1.7 References/Further Readings/Web Resources
- 1.8 Possible Answers to Self-Assessment Exercise(s)

1.1 Introduction

You may be imagining what the concept of concept of planning means and why nations plan. Planning, as a term in itself implies formulation of a strategy for the future. In economic parlance, it may mean the assessment of one's resources at present and its allocation among different uses so as to meet some specific goals in the future. This unit will focus on concept of planning, why nations plan, and planning approaches.

1.2 Learning Outcomes

By the end of this unit, you will be able to:

- discuss the concept of planning.

- analyse why nations plan.
- assess the three (3) planning approaches.

1.3 Concept of Planning

1.3.1 Definition of Planning by Buchacet

Planning, as a term in itself implies formulation of a strategy for the future. In economic parlance, it may mean the assessment of one's resources at present and its allocation among different uses so as to meet some specific goals in the future.

It is probably true that there is no universally accepted definition of planning. However, Buchacet (1970) describes national planning as a system of community action over a period of time... a national plan constitutes the decision of national persons and corporations to the achievement of coordinated aims within a fixed period.

1.3.2 Definition of Planning at Minnowbrook Conference

A definition presented at the Minnowbrook conference of the Comparative Administration Group in 1964 puts national planning as:

An effort to promote or coordinate through central planning institutions the activities of" (a) intermediate bodies, such as national government departments, regional, state or local government, business federations and large nationwide enterprises, (b) operating units, such as enterprises, associations local governments, agencies communities, families and individual. (Abdulsalami, 1977)

This definition focuses on functional relations among the various levels of government and the institutions engaged in development efforts.

For our purposes, let us define planning as an attempt to promote and coordinate through central planning institutions the social and economic activities of governments with a view to achieving an accelerated national development.

Self-Assessment Exercise 1

- i. Define planning from the view point of Buchacet.
- ii. Define planning from the view point of Minnowbrook Conference.

1.4 Why Plan?**1.4.1 Why Does an Individual Plan?**

Individuals plan because their resources are limited compared to their needs and also to have a secured future. For example, an individual might plan for a secure income in his old age by allocating his income between present consumption and saving in various schemes like taking an insurance policy or simply keeping his money in a bank. A business firm might also plan to double production in, say, two years time in which case it has to decide how much resources it can raise internally, how much to borrow, what equipment to buy, etcetera.

1.4.2 Why do Nations Plan?

Why the nations plan? The need for planning arises largely from the fact that productive resources are scarce relative to the demand for them. Had the resources been unlimited, there would have been no need for planning. Planning is particularly popular in developing countries because it is regarded as the best approach for transforming their economies and for narrowing the gap between them and the advanced industrial countries. In view of the relative backwardness of these nations, it is generally believed that it is not expedient to leave their development to market forces (demand and supply) due to the imperfection and price distortions inherent in the system. It is therefore, felt that government is the only institution in these countries capable of mobilizing resources for national development and also in a position to create an effective administrative machinery to manage the development. It is also argued that developing countries engage in planning to meet the conditions of foreign aid donors- an aid recipient should have a national plan before it can receive an aid from the donor. Therefore, planning is accorded a high priority by governments of these countries.

Self-Assessment Exercise 2

- i. Explain why individuals plan.
- ii. Explain why nations plan.

1.5 Planning Approaches

1.5.1 Bottom – Up Approach

This is a democratic and consultative style of decision making in which participation of members is promoted at all levels of the organization. Obviously, participation of members in the bottom – up approach is good for motivation and also member ownership.

However, its disadvantage is that decision making process can be time consuming, though this can be compensated by smooth implementation after decision has been made.

1.5.2 Top – Down Approach and Interactive Approach

Top – Down approach is an autocratic and hierarchical style of decision making in which strategies or plans are first conceived by one or a few top management staff and then disseminated further down the organizational structure. The lower levels in the hierarchy are, to a greater or lesser extent bound by the decisions of the top management.

Interactive approach involves a process for arriving at a decision or a desired end by repeating rounds of analysis or cycle of operations. The objective is to bring the desired decision closer to discovery with each repetition. The interactive process can be used where the decision is not easily revocable or when the consequences of revocation can be costly.

Self-Assessment Exercise 3

- i. Explain bottom – up approach
- ii. Describe top – down approach and interactive approach

1.6 Summary

This unit discussed the concept of planning, why nations plan, and planning approaches. This is an attempt to help you have a grip of the meaning and importance of planning.

1.7 References/Further Readings/Web Resources

Abdulsalami, I. (1977). *The Structure and Organisation of the National Planning Machinery: A Case Study of Nigeria 1962-76* an unpublished PhD Dissertation, University of Pittsburgh.

Buchacet, I.O. (1970). *Comparative Federalism: Territorial Dimension of Politics*(New York, Holt Rinehart and Winston).

Waterstone, A. (1970). Lessons of Experience, in *Leading Issues in Economic Development*. Gerald M. Meier (ed) 2/e

1.8 Possible Answers to SAEs.

Answers to SAEs 1

- i. Define planning from the view point of Buchacet.
- ii. Define planning from the view point of Minnowbrook Conference.

Buchacet (1970) describes national planning as a system of community action over a period of time... a national plan constitutes the decision of national persons and corporations to the achievement of coordinated aims within a fixed period.

A definition presented at the Minnowbrook conference of the Comparative Administration Group in 1964 puts national planning as an effort to promote or coordinate through central planning institutions the activities of" (a) intermediate bodies, such as national government departments, regional, state or local government, business federations and large nationwide enterprises, (b) operating units, such as enterprises, associations local governments, agencies communities, families and individual.

Answers to SAEs 2

- i. Explain why individuals plan.
- ii. Explain why nations plan.

Individuals plan because their resources are limited compared to their needs and also to have a secured future

The need for planning arises largely from the fact that productive resources are scarce relative to the demand for them. Had the resources been unlimited, there would have been no need for planning.

Answers to SAEs 3

- i. Explain bottom – up approach
- ii. Describe top – down approach and interactive approach

This is a democratic and consultative style of decision making in which participation of members is promoted at all levels of the organization. Obviously, participation of members in the bottom – up approach is good for motivation and also member ownership.

However, its disadvantage is that decision making process can be time consuming, though this can be compensated by smooth implementation after decision has been made.

Top – Down approach is an autocratic and hierarchical style of decision making in which strategies or plans are first conceived by one or a few top management staff and then disseminated further down the organizational structure. The lower levels in the hierarchy are, to a greater or lesser extent bound by the decisions of the top management.

Unit 2 Types of Planning – Indicative, Imperative & Totalitarian Planning

Unit Structure

- 2.1 Introduction
- 2.2 Learning Outcomes
- 2.3 Indicative Planning
 - 2.3.1 Indicative Planning
 - 2.3.2. Merits and Demerits
- 2.4 Imperative Planning
 - 2.4.1 Imperative Planning
 - 2.4.2 Merits and Demerits
- 2.5 Totalitarian Planning
 - 2.5.1 Totalitarian Planning
 - 2.5.2 Merits and Demerits
- 2.6 Summary
- 2.7 References/Further Readings/Web Resources
- 2.8 Possible Answers to Self-Assessment Exercise(s) within the content

2.1 Introduction

There are different kinds of planning- planning by direction, planning by inducement, financial planning, physical planning, perspective planning, annual planning, indicative planning, imperative planning, rolling plan, fixed plan, democratic planning, totalitarian planning, centralised planning, decentralized planning, corrective planning, development planning, planning in a mixed economy etc.

For our purposes, indicative planning, imperative planning, democratic planning, totalitarian planning, rolling plan, centralized planning, decentralized planning, corrective planning, development planning and planning in a mixed economy are briefly treated.

2.2 Learning Outcomes

By the end of this unit, you will be able to:

- Discuss indicative planning and imperative planning.
- Analyse the merits and demerits of both.
- Assess development planning and planning in a mixed economy.

2.3 Indicative Planning

2.3.1 Indicative Planning

France practices indicative planning. This type of planning is not imperative but flexible. Planning in socialist countries is comprehensive in which the planning authorities decide the amount to be invested in each sector, in fixation of prices of products and factors, and the types and quantities of products to be produced. There is rigidity in this type of planning. If there is some distortion in one sector, it adversely affects the entire economy which cannot be remedied immediately. The French system of planning is free from all such troubles because it is based on the principle of decentralization in the operation and execution of the national plans. This is known as indicative or soft planning as distinct from comprehensive or imperative planning (Jhingan, 2013).

Indicative planning is characteristic of mixed economy of France and is quite different from the type of planning that prevails in mixed economies in other parts of the world. In a mixed economy, the public and private sector work together. The state controls and regulates the private sector in a number of ways so that the private sector may cooperate in fulfilling the targets and priorities of the plan. The usual methods to control this sector are licences, quotas, price and quantity determination of products, financial aid etc. It has to work under the direction of the state. But in indicative planning the private sector is neither rigid controlled nor directed to fulfill the targets and priorities of the plan. The state provides all types of facilities to the private sector but does not direct it, rather indicates the areas in which it can help in implementing the plan.

Indicative planning has been in use in France since the Monnet Plan of 1947-50. In the French system of planning, the public sector comprises *basic sectors* like coal, cement, steel, transportation, fuel, fertilizers, farm machinery, electricity, tourism, etc. In these sectors, the fulfillment of production and investment targets is imperative. Besides, there are certain basic actions which are considered essential for the operation of the basic sectors and are, therefore, directly under the state. They are:

- (i) The development of scientific and technical research including atomic energy;
- (ii) Reduction of costs through rationalization and long-term programming;
- (iii) Specialization and regrouping of industrial concerns;
- (iv) Market organization of agricultural products; and.

- (v) Reconversion of old firms and retention of displaced manpower. In the remaining sectors of the economy and even in the above fields where the private sector co-exist with the public sector, planning is indicative. It consists in the integration of individual planning efforts which in isolation, are incapable of achieving their objectives.

2.3.2 Merit and Demerits of Indicative Planning

In the national plan, production and investments targets are laid down for both the public and private sectors. The basis of the national plan is the *Economic Table* which is made up of data pertaining to consumption, saving, investment and foreign trade. This table shows the inputs and outputs of each sector of the economy. While framing the draft plan, the *commissariat au plan* (the French Planning Commission) discusses the plan with the representatives of the private sector in a number of commissions known as *modernization commissions* to give the plan its final shape. There are two types of commissions, vertical and horizontal.

The vertical commissions discuss and finalize the activities of the various sectors of the economy, such as agriculture, coal, steel, manufacturing, power, transportation, housing, education, public health, social welfare, etc. The horizontal commissions, on the other hand, deal with various balances in the economy between investment and savings, between income and expenditure of the state, between inward and outward flow of the foreign currency, and between financial and physical estimates. In this way, the private sector becomes a partner in the economic plan and helps in the fulfilling the targets of the plan. The government provides incentive to the private sector through grants, loans, tax exemptions, etc. It gives guidance to the private sector instead of issuing directions. The private sector relies on the market conditions for production and investment programmes. And if there is need for making adjustments in the plan due to changed market conditions, they can be made even during its execution stage. Thus there is sufficient individual freedom of choice and action in French planning. In fact, it presents a perfect compromise between freedom and planning, incorporates the merits of both the free market and planned economies and successfully avoids their demerits (Jhingan, 2013).

However, the success of indicative planning presupposes that every branch of activity is promised the possibility of acquiring its production factors and selling its goods on a balanced market. The promise, however, is only kept if everybody plays the game. The promise acts merely as an incentive. It is not binding on anybody. But the actual experience of indicative planning in France shows that firms do not play the game when the development programme does not coincide with

profit expectations. Often monopolistic organisations do not care for the incomes policy laid down by the government and use their power for personal benefit. Moreover, under conditions of price inflation, the government interferes with the market mechanism by resorting to direct controls instead of monetary and fiscal policies. Thus, the working of indicative planning in France casts doubts about its being a golden mean between free market and planned economies (Jhingan, 2013).

Self-Assessment Exercise 1

- i. Explain indicative planning
- ii. Give one (1) merit of indicative planning

2.4 Imperative Planning

2.4.1 Imperative Planning

In this type of planning, all economic activities and resources of the economy are directed by the state. There is total control over the factors of production by the state. The entire resources of the country are used to the maximum in order to fulfill the targets of the plan. There is no consumers' sovereignty in such planning.

2.4.2 Merits and Demerits of Imperative Planning

The consumers get commodities in fixed quantities at fixed prices. Often the commodities are rationed. Production of commodities is in accordance with government policies. What and how much to produce are decisions taken by the managers of the industries on the directions of a central planning authority. Since the government policies and decisions are rigid, they cannot be changed easily. If there is some bottleneck in fulfilling production targets at any stage, it adversely affects all related sectors of production. If managers do not carry out production plans properly, production falls which undermines the entire production process in the economy. This planning system is in operation in China and Russia (Jhingan, 2013).

Self-Assessment Exercise 2

- i. Explain imperative planning
- ii. Briefly explain one (1) demerit of imperative planning

2.5 Totalitarian Planning

2.5.1 Totalitarian Planning

Economists like Hayek and Lippman assert that planning is incompatible with democracy. Hayek goes to the extent of saying what was promised to us as the Road to Freedom was in fact the High Road to Serfdom (Jhingan, 2013). However, by viewing planning only this way, Hayek has enslaved himself to totalitarian planning which is comprehensive. In totalitarian or authoritarian planning there is central control and direction of all economic activities in accordance with a single plan. There is planning by direction where consumption, production, exchange and distribution are all controlled by the state. In authoritarian planning the planning authority is the supreme body. It decides about the targets, schemes, allocations, methods and procedures of implementation of the plan. There is absolutely no opposition to the plan. People have to accept and rigidly implement the plan. Economic and political powers are polarized and social life is regimented. There is thus no democratic freedom in authoritarian planning which is extremely rigid. But there are others who are of the view that a planned society can be far more free society than the competitive *laissez-faire* order which it has come to replace. Whatever be the degree of deliberate control and direction of the economic forces in totalitarian planning, it is for making the economic system perfect, and maintaining stability, and achieving rapid growth. Moreover, Myrdal (1959) says he could find no example in history where democracy has been lost because of too much planning and state intervention, but plenty of example on the contrary. He, therefore, supports the Soviet type of planning for the under-developed countries of South-East Asia because it is scientific and efficient as compared to an unplanned economic system.

2.5.2 Merits and Demerits

Totalitarian planning is usually very comprehensive and very easy to implement. Though authoritarian planning can help in achieving the targets within the stipulated period and according to schedule, the price which the people of developing countries have to pay in the form of the loss of economic, social and political freedoms is enormous. It is, therefore, better to have democratic planning and achieve the same results without, at the same time, sacrificing these freedoms totally (Jhingan, 2013).

Self-Assessment Exercise 3

- i. Explain one (1) merit of totalitarian planning
- ii. Explain one (1) demerit of totalitarian planning

2.6 Summary

Economists like Hayek and Lippman assert that planning is incompatible with democracy. Hayek goes to the extent of saying what was promised to us as the Road to Freedom was in fact the High Road to Serfdom. However, by viewing planning only this way, Hayek has enslaved himself to totalitarian planning which is comprehensive.

2.7 References/Further Readings/Web Resources

Jhigan, M.L. (2013). The Economics of Development and Planning. (Vikas Publishing House PVT Ltd), 40th Edition.

Myrdal, G. (1959). An International Economy.

2.8 Possible Answers to SAEs.

Answers to SAEs 1

- i. Explain indicative planning
- ii. Give one (1) merit of indicative planning

France practices indicative planning. This type of planning is not imperative but flexible. Planning in socialist countries is comprehensive in which the planning authorities decide the amount to be invested in each sector, in fixation of prices of products and factors, and the types and quantities of products to be produced.

It presents a perfect compromise between freedom and planning, incorporates the merits of both the free market and planned economies and successfully avoids their demerits

Answers to SAEs 2

- i. Explain imperative planning
- ii. Briefly explain one (1) demerit of imperative planning

In this type of planning, all economic activities and resources of the economy are directed by the state. There is total control over the factors of production by the state. The entire resources of the country are used to the maximum in order to fulfill the targets of the plan.

If there is some bottleneck in fulfilling production targets at any stage, it adversely affects all related sectors of production.

Answers to SAEs 3

- i. Explain one (1) merit of totalitarian planning
- ii. Explain one (1) demerit of totalitarian planning

Totalitarian planning is usually very comprehensive and very easy to implement.

Though authoritarian planning can help in achieving the targets within the stipulated period and according to schedule, the price which the people of developing countries have to pay in the form of the loss of economic, social and political freedoms is enormous.

Unit 3 Types Of Planning Contd – Democratic, Rolling & Corrective Planning

Unit Structure

- 3.1 Introduction
- 3.2 Learning Outcomes
- 3.3 Democratic Planning
 - 3.3.1 Democratic Planning
 - 3.3.2 Merits and Demerits
- 3.4 Rolling Planning
 - 3.4.1. Rolling Planning
 - 3.4.2 Merits and Demerits
- 3.5 Corrective Planning
 - 3.5.1 Corrective Planning
 - 3.5.2 Merits and Demerits
- 3.6 Summary
- 3.7 References/Further Readings/Web Resources
- 3.8 Possible Answers to Self-Assessment Exercise(s) within the content

3.1 Introduction

By democratic planning we mean planning within democracy, rolling plan changes with economic climate while corrective planning uses various fiscal, monetary, and direct control measures to rectify planning programmes.

3.2 Learning Outcomes

By the end of this unit, you will be able to:

- explain democratic planning
- analyse corrective planning
- evaluate rolling plan

3.3 Democratic Planning

3.3.1 Democratic Planning

Democratic planning should mean planning within democracy. In democratic planning, the philosophy of democratic government is accepted as the ideological basis. People are associated at every step in the formulation and implementation of the plan. A democratic plan is characterized by the widest possible consultations with the various state

governments and private enterprises at the stage of preparation. It seeks to avoid all clashes, and tries to harmonise all opinions that are for the welfare of the people. Cooperation of different agencies, and voluntary groups and associations play a major role in its execution. The plan is fully debated in the parliament, and the state legislatures and in the private forums. The plan prepared by a central planning authority is not accepted as such. It can be accepted, rejected or, modified by the parliament of the country. Thus, the plan is not forced upon the people from above. It is planning from below (Jhingan, 2013).

This type of planning respects the institution of private property. Nationalisation is resorted to the limited extent absolutely necessary, and reasonable compensation is paid in all cases. Price mechanism is allowed to play its due role. The government only seeks to influence economic and investment decisions in the private sector through the fiscal and monetary measures. The private sector operates side by side with the public sector. There is healthy competition between the two sectors for the fulfillment of the plan targets. Democratic planning aims at the removal of inequalities of income and wealth through peaceful means by taxation and government spending on social welfare and social security schemes. Individual freedom prevails. People enjoy social, economic and political freedom.

3.3.2 Merits and Demerits of Democratic Planning

India is a unique experimentation in democratic planning. Planning in India is being carried out under a democratic government which is elected under universal suffrage. There is no undue encroachment on the rights and liberties of the people in the execution of the plans. There is freedom to own private property and in the event of expropriation adequate compensation is paid. Private sector co-exists with the public sector. The latter operates under the guidance, help and supervision of the government. There is no force in the implementation of the five-year plans which are fully discussed and debated both within and outside the parliament. People enjoy the fundamental rights of freedom of speech, association, occupation etc. The planning procedure in India is democratic (Jhingan, 2013).

Many critics characterised democratic planning as a myth. They opined that democracy is not to be found anywhere, so there cannot be democratic planning either. Some sort of state intervention is inevitable even in democratic planning whereby economic freedom becomes a farce. The institution of controls in various forms on consumption, production and distribution viz., price controls and rationing, industrial licensing, monopoly regulation, import restrictions, state trading, etc., do not make for economic freedom. "India's planning is of an imperative

type of democratic context.....It is a half-way house between command and free economy, imbibing the disadvantages of both without the advantages of the either. It has its inbuilt difficulties which hinder progress. Socialist economy can follow its own path of growth, capitalist countries their own, planned economy in a democracy operates between the two, divided between public and private sector. In India the relationship between the two has been far from ideal (Bhattacharyya, 1971).

It has even been claimed that the Planning Commission in India does not possess an autonomous status in the real sense of the term. It is a part of the ruling party. The Chairman of the Planning Commission is the Prime Minister. The National Development Council, the most important body, is already without constitutional and statutory authority which derives its power from the simple fact that its members are the Prime Minister and opposition members, the chief ministers of all the states. The resultant plan is politics. Thus, Indian planning is democratic in constitutional form, in that the real decision are made by elected representatives of the people, it is not democratic in substance. Many do not agree with this view point because in democratic planning the plan must reflect the aspirations of the masses as represented by the ruling party in the parliament.

Therefore, Indian planning is democratic both constitutionally and in substance, for some sort of controls and state intervention are essential for lifting the economy out of the morass and for the welfare of the masses. It is, however, felt that Indian planning in its democratic set-up should be indicative rather than imperative as has been the experience of France (Jhingan, 2013).

Self-Assessment Exercise 1

- i. Explain democratic planning
- ii. Give one (1) merit of democratic planning

3.4 Rolling Plan

3.4.1 Rolling Plan

It is generally claimed that Professor Myrdal was the first economist to advocate a rolling plan for developing countries in his book “India economic planning in its Broader Setting”. It was experimented in Indian planning by the Janata administration in 1978 but was stopped in 1980 with the coming to power of the Indira administration. In a rolling plan, every year three new plans are formulated and acted upon. First

there is a plan for the current year which includes the annual budget and the foreign exchange budget. Second, there is a plan for a number of years, say three, four or five. It is changed every year in keeping with the requirements of the economy. It contains targets and techniques to be followed during the plan period, along with price relationships and price policies. Third, a perspective plan for 10, 15 or 20 or even more years is presented every year in which the broader goals are stated and the outlines of future development are forecast (Jhingan, 2013:551). The essence of rolling plan is to get rid of the rigidities usually encountered in the fixed five-year plan.

3.4.2 Merits and Demerits of Rolling Plan

One of the merits of rolling plan is that there is a plan for the current year which includes the annual budget and the foreign exchange budget. Second, there is a plan for a number of years, say three, four or five. It is changed every year in keeping with the requirements of the economy. It contains targets and techniques to be followed during the plan period, along with price relationships and price policies. Third, a perspective plan for 10, 15 or 20 or even more years is presented every year in which the broader goals are stated and the outlines of future development are forecast. The essence of rolling plan is to get rid of the rigidities usually encountered in the fixed five-year plan. The major demerit of rolling plan is that it lacks discipline especially in terms of timeframe.

Self-Assessment Exercise 2

- i. What is rolling plan?
- ii. Give one (1) demerit of rolling plan

3.5 Corrective Planning

3.5.1 Corrective Planning

When a government plans and adopts various fiscal, monetary and direct control measures to rectify its planning programmes, that government is engaged in corrective planning. If the economy suffers from inflationary pressures, the government adopts such corrective measures as a contractionary monetary policy, raising tax rates, reducing consumption, investment and public expenditure. It may also adopt a surplus budgetary policy. In the event of a depression, corrective planning includes an expansionary monetary policy, reduction in tax rates, stimulation of consumption, increase in private and public investment, and a deficit budgetary policy. Excessive inequalities of income distribution and concentration of monopoly power are also sought to be

reduced under corrective planning. To reduce inequalities of income distribution, corrective planning requires the adoption of such measures as imposition of heavier burdens on the higher income groups through death duties, steeply, etc. to control monopoly concentration; the government may encourage competitive small business, start public enterprises, pass anti-monopoly laws and even nationalize monopolistic industries. Planning in the United States and in other capitalist countries is of the corrective type (Jhingan, 2013).

3.5.2 Merits and Demerits of Corrective Planning

In order to reduce inequalities of income distribution, corrective planning requires the adoption of such measures as imposition of heavier burdens on the higher income groups through death duties, steeply, etc. to control monopoly concentration; the government may encourage competitive small business, start public enterprises, pass anti-monopoly laws and even nationalize monopolistic industries. Planning in the United States and in other capitalist countries is of the corrective type (Jhingan, 2013).

Self-Assessment Exercise 3

- i. What is corrective planning?
- ii. Give one (1) merit of corrective planning

3.6 Summary

We have attempted to discuss democratic planning, rolling plan, and corrective planning with their merits and demerits.

3.7 References/Further Readings/Web Resources

Bhattacharyya, K. N. (1971). Planning: Economic and Economy.

Jhingan, M.L. (2013). The Economics of Development and Planning. (Vikas Publishing House PVT Ltd), 40th Edition.

3.8 Possible Answers to SAEs.

Answers to SAEs 1

- i. Explain democratic planning
- ii. Give one (1) merit of democratic planning

In democratic planning, the philosophy of democratic government is accepted as the ideological basis. People are associated at every step in the formulation and implementation of the plan. A democratic plan is characterized by the widest possible consultations with the various state governments and private enterprises at the stage of preparation.

There is freedom to own private property and in the event of expropriation adequate compensation is paid. Private sector co-exists with the public sector.

Answers to SAEs 2

- i. What is rolling plan?
- ii. Give one (1) demerit of rolling plan

In a rolling plan, every year three new plans are formulated and acted upon. First there is a plan for the current year which includes the annual budget and the foreign exchange budget. Second, there is a plan for a number of years, say three, four or five. It is changed every year in keeping with the requirements of the economy.

The major demerit of rolling plan is that it lacks discipline especially in terms of timeframe.

Answers to SAEs 3

- i. What is corrective planning?
- ii. Give one (1) merit of corrective planning

When a government plans and adopts various fiscal, monetary and direct control measures to rectify its planning programmes, that government is engaged in corrective planning. If the economy suffers from inflationary pressures, the government adopts such corrective measures as a contractionary monetary policy, raising tax rates, reducing consumption, investment and public expenditure.

In order to reduce inequalities of income distribution, corrective planning requires the adoption of such measures as imposition of heavier burdens on the higher income groups through death duties,

steeply, etc. to control monopoly concentration; the government may encourage competitive small business, start public enterprises, pass anti-monopoly laws and even nationalize monopolistic industries.

Unit 4 Types Of Planning Contd – Centralised & Decentralised Planning

Unit Structure

- 4.1 Introduction
- 4.2 Learning Outcomes
- 4.3 Centralised Planning
 - 4.3.1 Centralised Planning
 - 4.3.2 Merits and Demerits
- 4.4 Decentralised Planning
 - 4.4.1 Decentralised Planning
 - 4.4.2 Merits and Demerits
- 4.5 Comparison
 - 4.5.1 Similarities
 - 4.5.2 Differences
- 4.6 Summary
- 4.7 References/Further Readings/Web Resources
- 4.8 Possible Answers to Self-Assessment Exercise(s) within the content

4.1 Introduction

This unit attempt is made to differentiate between centralised and decentralised planning. Under centralised planning, the entire planning process in a country is directed by a central planning authority while decentralised planning implies the execution of plan from the grass roots.

4.2 Learning Outcomes

By the end of this unit, you will be able to:

- discuss the meaning of centralised planning.
- analyse decentralised planning.
- explain the merits of decentralised planning

4.3 Centralised Planning

4.3.1 Centralised Planning

Under centralised planning, the entire planning process in a country is directed by a central planning authority. This authority formulates a central plan, fixed objectives, targets and priorities for every sector of the economy. It takes all investment decisions in accordance with the goals and targets of the plan. The principal problems of the economy,

what and how much is to be produced; how, when and where it is to be produced; and to whom it is to be allocated, are exclusively decided by this authority. The central planning authority controls every aspect of the economy. It fixes prices of all products and wages of all types of workers. All anticipated financial product and factor imbalances that are likely to arise within the planning period are sought to be corrected in advance by the planning authority (Jhingan, 2013).

As usual, some scholars reject centralized planning because of its undemocratic character. The entire planning process is based on bureaucratic control and regulation. Naturally, such planning is rigid. There is no economic freedom and all economic activities are directed from above. Shortages and mistakes arising during the course of planning are not likely to be rectified because of the absence of decentralized decision-making.

4.3.2 Merits and Demerits of Centralised Planning

The central planning authority controls every aspect of the economy. It fixes prices of all products and wages of all types of workers and this promotes unity and enhances discipline. All anticipated financial product and factor imbalances that are likely to arise within the planning period are sought to be corrected in advance by the planning authority.

As usual, some scholars reject centralized planning because of its undemocratic character. The entire planning process is based on bureaucratic control and regulation. Naturally, such planning is rigid. There is no economic freedom and all economic activities are directed from above. Shortages and mistakes arising during the course of planning are not likely to be rectified because of the absence of decentralized decision-making.

Self-Assessment Exercise 1

- i. Explain the meaning of centralised planning
- ii. Explain one (1) merit of centralised planning

4.4 Decentralised Planning

4.4.1 Decentralised Planning

Decentralised planning implies the execution of plan from the grass roots. Under it, a plan is formulated by the central planning authority in consultation with the different administrative units of the country. The

central plan incorporates plans of the units in the central schemes, and plans for them in a federal set-up (Anyebe, 1995). The state plans incorporate district and village level plans. Similarly, plans for different industries are formulated in consultation with representative of industries. But individual firms are free to take independent decisions about investment and output policies, and so are individual farmers. Under decentralised planning, prices of goods and services are primarily determined by the market mechanism despite government control and regulation in certain fields of economic activity. There is freedom of consumption, production and enterprise under it. However, the planning authority recommends to the central and state governments to provide certain incentives to the private sector. It also lays down areas of public sector activities.

4.4.2 Merits and Demerits of Decentralised Planning

This type of planning is claimed by some scholars to be superior to centralised planning in that it provides economic freedom and flexibility to the economy. However, its dependence on the market mechanism leads to shortages or surpluses in the production of goods and services. They often create problems for the government because adjustments are difficult to make. For instance, shortages of goods lead to inflation and the adoption of price controls and rationing creates more problems. Further, it is not possible to coordinate the decisions of the planned and unplanned sectors. This is one of the main reasons for distortions in the economy which lead to disequilibrium in the demand for and supply of goods and services. Of the two, centralised planning provides cohesiveness to the economy whereas decentralised planning provides economic freedom and incentives to the market economy (Abdulsalami, 1977).

Self-Assessment Exercise 2

- i. Explain decentralised planning
- ii. Explain one (1) demerit of decentralised planning

4.5 Comparison

4.5.1 Similarities

Both types of planning involve allocation of resources.

4.5.2 Differences

Centralised planning entrusts planning process to a central planning body while decentralised planning involves consultation with different administrative units of the country.

Self-Assessment Exercise 3

- i. Explain one (1) similarity between centralised and decentralised planning
- ii. Describe one (1) difference between the two

4.6 Summary

There are some similarities and dissimilarities between centralised and decentralised planning in terms of allocation of resources and control.

4.7 References/Further Readings/Web Resources

- Abdulsalami, I. (1977). *The Structure and Organisation of the National Planning Machinery: A Case Study of Nigeria 1962-76* an unpublished PhD Dissertation, University of Pittsburgh.
- Anyebe, A. A. (1995). *Federalism and National Development Planning in Nigeria: A Case Study of the 1981-85 Plan unpublished Ph.D Dissertation*, Postgraduate School, Ahmadu Bello University, Zaria.
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4.8 Possible Answers to SAEs.

Answers to SAEs 1

- i. Explain the meaning of centralised planning
- ii. Explain one (1) merit of centralised planning

Under centralised planning, the entire planning process in a country is directed by a central planning authority. This authority formulates a central plan, fixed objectives, targets and priorities for every sector of the economy.

The central planning authority controls every aspect of the economy. It fixes prices of all products and wages of all types of workers and this promotes unity and enhances discipline. All anticipated financial product and factor imbalances that are likely to arise within the planning period are sought to be corrected in advance by the planning authority.

Answers to SAEs 2

- i. Explain decentralised planning
- ii. Explain one (1) demerit of decentralised planning

Under decentralised planning is formulated by the central planning authority in consultation with the different administrative units of the country. The central plan incorporates plans of the units in the central schemes, and plans for them in a federal set-up (Anyebe, 1995). The state plans incorporate district and village level plans. Similarly, plans for different industries are formulated in consultation with representative of industries. But individual firms are free to take independent decisions about investment and output policies, and so are individual farmers. Under decentralised planning, prices of goods and services are primarily determined by the market mechanism despite government control and regulation in certain fields of economic activity.

This type of planning is claimed by some scholars to be superior to centralised planning in that it provides economic freedom and flexibility to the economy. Output is conveniently measured

Answers to SAEs 3

- i. Explain one (1) similarity between centralised and decentralised planning
- ii. Describe one (1) difference between the two

Both types of planning involve allocation of resources.

Centralised planning entrusts planning process to a central planning body while decentralised planning involves consultation with different administrative units of the country.

Unit 5 Types of Planning Contd – Planning In A Mixed And Development Planning

Unit Structure

- 5.1 Introduction
- 5.2 Learning Outcomes
- 5.3 Planning in a Mixed Economy
 - 5.3.1 Planning in a Mixed Economy
 - 5.3.2 Merits and Demerits
- 5.4 Development Planning
 - 5.4.1 Development Planning
 - 5.4.2 Merits and Demerits
- 5.5 Comparison
 - 5.5.1 Similarities
 - 5.5.2 Differences
- 5.6 Summary
- 5.7 References/Further Readings/Web Resources
- 5.8 Possible Answers to Self-Assessment Exercise(s)

5.1 Introduction

This unit attempts to discuss planning in a mixed economy which is a compromise between the two economic systems - capitalism and socialism while development planning is expected to develop the economy as a whole.

5.2 Learning Outcomes

By the end of this unit, you will be able to:

- explain planning in a mixed economy.
- analyse development planning
- evaluate similarities between the two types of planning

5.3 Planning in a Mixed Economy

5.3.1 Planning in a Mixed Economy

Mixed economy is a compromise between the two economic systems, capitalism and socialism. It is a system which is free from the evils of both capitalism and socialism but integrates the good features of both. This is the reason for being known as mixed economy which is a golden means between capitalism and socialism. It is through planning that the merits of a socialist economy are imparted and the defects of capitalism are sought to be removed in a mixed economy.

Planning in a mixed economy is not comprehensive in the sense of socialist planning. It divides the economy into public and private sector for the purpose of economic development. The public sector is under the direct control of the government which regulates its production and distribution. All services in which the profit expectations are low and investments are large with long gestation period are operated under the public sector, such as rail, road and air transport, power generation plants, posts and telegraphs, etc. There are in fact public utilities which are operated by the state for public welfare. Besides, defence, atomic energy, heavy, basic and strategic industries are all operated in the public sector. The plan allocates investment, lays down targets and fixes priorities for this sector.

There is the private sector in which individuals manage what they own, usually in farming, industry and retailing. Keeping the public interest in view, the state regulates the working of this sector by giving suggestions, subsidies, credit facilities, raw materials, cheap power, concessional transport facilities, tax holidays, concession, etc., and by administrative controls and directions. If certain industries do not work satisfactorily or operate against public interest, the state nationalizes them by paying appropriate compensation (Jhingan, 2013).

A sector based on the principles of cooperation also exists in a mixed economy. It is usually to be found in farming, dairying, consumer purchases, and in small manufacturing. The cooperative sector is organized by the people with the assistance of state cooperative agencies to reduce exploitative market tendencies and to inculcate spirits of cooperation and self-help.

Self-Assessment Exercise 1

- | |
|--|
| <ol style="list-style-type: none">i. Explain planning in a mixed economyii. Give one (1) merit of planning in a mixed economy |
|--|

5.3.2 Merits and Demerits of Planning in a Mixed Economy

Planning in a mixed economy has the following advantages:

Planning in a mixed economy is meant to provide all the freedoms of capitalism, such as freedom of consumption, freedom of production, freedom of occupation, freedom to hold property, etc. but these freedoms cannot be enjoyed absolutely and at the cost of public welfare. So the government puts checks on these freedoms by proper regulation

and control of such economic activities as the production and distribution of essential commodities in order to prevent their hoarding and black-marketing, and even rationing them in the event of acute shortages, of private property for an equitable distribution, of monopoly concentration of economic power, etc.

The ultimate aim of planning in a mixed economy is to remove the evils of capitalism and to promote the maximum welfare of the people. These objectives are achieved through the various measures outlined earlier. Besides, to protect workers from capitalist exploitation, the state passes labour laws and fixes minimum wages, working hours, etc., and provides social security in the form of life insurance, unemployment insurance pension, provident fund, maternity benefits, free education, recreational facilities, etc. The state also aims at reducing inequalities of income distribution through these measures.

Planning in developing countries based on the concept of mixed economy. The main aim of such planning is to increase the growth rate of the economy, given the various limiting factors in such countries. For this, planning in a mixed economy envisages a high rate of capital formation through various monetary, fiscal and physical control measures; through foreign aid, comprehensive exchange control and protective tariffs; and through public and private investment so that the economy develops in a balanced way. Thus planning in a mixed economy affords the advantages of resolute government action in overcoming existing barriers to economic growth, does not involve an amount of central integration exceeding the capacity of its bureaucracy, and fosters a maximum of cooperation between private business and government

Despite these advantages, planning in a mixed economy is faced with certain problems which make it difficult to achieve the objective and targets of the plan.

There is usually non-cooperation between the two sectors. The experience of the working of mixed economies reveals that the government treats the private sector like a step-child and imposes controls and "bureaucratic capitalism". On the other hand, the public sector is given preference over the private sectors in all matters. Thus bitterness and non-cooperation develop between the two sectors which lead to the non-fulfillment of the plan targets. Since the private sector operates on the basis of the market mechanism, shortages lead to rise in price which spread to the public sector. This is because both sectors are dependent on each other for supplied of raw materials, intermediate products, etc.

Planning in a mixed economy involves the expansion of the public sector whereby public outlay is increased but the resources are not available in sufficient quantity in developing country to meet large plan outlays. This leads to deficit spending, thereby leading to inflationary pressures within the economy.

The public sector is a big burden on the financial plan. Bureaucratic control leads to inefficiency. There is over staffing of the personnel, red-tape, corruption and nepotism. As a result, production falls and losses emerge. Moreover, the majority of public undertakings being of long-gestation period and involving huge investments, they continue to operate under losses for a number of years. Thus shortages of goods continue which accentuate inflationary pressures.

5.4 Development Planning

5.4.1 Development Planning

Development planning is expected to develop the economy as a whole (Waterstone, 1970). It involves the application of a rational system of choices among feasible courses of investment and other development actions. For this, it relies to a large extent on the market mechanism. In development planning, the government formulates a development plan for the whole economy. It includes consideration of the most important economic aggregates such as total saving, investment, output, government expenditure and foreign transactions. It also explores sectoral relationships in the overall framework of the economy. In particular, it lays down investment priorities for the public sector. Public investments cover the whole infrastructure of the economy including investments in health, education and training. The private sector is considered a partner in the development efforts of the economy. The government does not use force on the private sector to get the plan implemented. Rather, it provides incentives through monetary, fiscal and direct control measures. At the same time, the government adopts measures to restrict unproductive activities so that private investment is channelized into productive activities.

This is primarily related to the development activities of underdeveloped countries. Since such countries have a number of economic, social and political obstacles to development, it is not possible to make development planning a success even by the best policies. Lewis observes in this connection:

Good policies help, but do not ensure success. Development planning is in this respect like medicine; the good practitioner knows some useful

tricks; but it is still the case that many patients die who are expected to live, and many live who are expected to die (Lewis, 1955).

4.4.2 Merits and Demerits of Development Planning

The private sector is considered a partner in the development efforts of the economy. The government does not use force on the private sector to get the plan implemented. Rather, it provides incentives through monetary, fiscal and direct control measures. At the same time, the government adopts measures to restrict unproductive activities so that private investment is channelized into productive activities.

This is primarily related to the development activities of underdeveloped countries. Since such countries have a number of economic, social and political obstacles to development, it is not possible to make development planning a success even by the best policies. Lewis observes in this connection:

Good policies help, but do not ensure success. Development planning is in this respect like medicine; the good practitioner knows some useful tricks; but it is still the case that many patients die who are expected to live, and many live who are expected to die (Lewis, 1955).

Self-Assessment Exercise 2

- i. Explain development planning.
- ii. Give one (1) merit of development planning

5.5 Comparison

5.5.1 Similarities

The two types of planning are similar in the sense that they both involve public and private sectors of the economy.

5.5.2 Dissimilarities

Development planning aims at developing the entire economy, while planning in a mixed economy borrows the strengths of capitalism and socialism and uses them while avoiding their weaknesses.

Self-Assessment Exercise 3

- i. Give one similarity between planning in a mixed economy and development planning
- ii. Assess the differences between the two

5.6 Summary

This unit discusses planning in a mixed economy which is a compromise between the two economic systems - capitalism and socialism. It is a system which is free from the evils of both capitalism and socialism but integrates the good features of both. Development planning is expected to develop the economy as a whole. It involves the application of a rational system of choices among feasible courses of investment and other development actions.

5.7 References/Further Readings/Web Resources

Jhigan, M.L. (2013). *The Economics of Development and Planning*. (Vikas Publishing House PVT Ltd), 40th Edition.

Lewis, A. (1955). *The Theory of Economic Growth* (London: Allen and Unwin).

Waterstone, A. (1970). *Lessons of Experience, in Leading Issues in Economic Development*. Gerald M. Meier (ed) 2/e

5.8 Possible Answers to SAEs.

Answers to SAEs 1

- i. Explain planning in a mixed economy
- ii. Give one (1) merit of planning in a mixed economy

Mixed economy is a compromise between the two economic systems, capitalism and socialism. It is a system which is free from the evils of both capitalism and socialism but integrates the good features of both. This is the reason for being known as mixed economy which is a golden mean between capitalism and socialism. It is through planning that the merits of a socialist economy are imparted and the defects of capitalism are sought to be removed in a mixed economy.

Planning in a mixed economy is meant to provide all the freedoms of capitalism, such as freedom of consumption, freedom of production, freedom of occupation, freedom to hold property, etc. but these freedoms cannot be enjoyed absolutely and at the cost of public welfare. So the government puts checks on these freedoms by proper regulation and control of such economic activities as the production and distribution of essential commodities in order to prevent their hoarding and black-marketing, and even rationing them in the event of acute shortages, of private property for an equitable distribution, of monopoly concentration of economic power, etc.

Answers to SAEs 2

- i. Explain development planning.
- ii. Give one (1) merit of development planning

Development planning is expected to develop the economy as a whole. It involves the application of a rational system of choices among feasible courses of investment and other development actions. For this, it relies to a large extent on the market mechanism.

The private sector is considered a partner in the development efforts of the economy. The government does not use force on the private sector to get the plan implemented. Rather, it provides incentives through monetary, fiscal and direct control measures. At the same time, the government adopts measures to restrict unproductive activities so that private investment is channelized into productive activities.

Answers to SAEs 3

- i. Give one similarity between planning in a mixed economy and development planning
- ii. Assess the differences between the two

The two types of planning are similar in the sense that they both involve public and private sectors of the economy.

Development planning aims at developing the entire economy, while planning in a mixed economy borrows the strengths of capitalism and socialism and uses them while avoiding their weaknesses.

MODULE 3

- Unit 1 Development Administration: Nigeria's Experience
- Unit 2 Nigeria's Experience Contd - 1962-68 Plan, 1970-74 Plan & 1975-80 Plan
- Unit 3 Nigeria's Experience - 1981-85 Plan & Three-Year Rolling Plans (1990-93)
- Unit 4 Nigeria's Experience – Problems
- Unit 5 Prospects Of Planning In Nigeria

**UNIT 1 DEVELOPMENT ADMINISTRATION:
NIGERIA'S EXPERIENCE****Unit Structure**

- 1.1 Introduction
- 1.2 Learning outcomes
- 1.3 Planning Process in Nigeria
 - 1.3.1 Philosophy Guiding Planning in Nigeria
 - 1.3.2 Planning Process
- 1.4 1946-56 Plan
 - 1.4.1 The Plan
 - 1.4.2 Criticisms
- 1.5 1955-60 Plan
 - 1.5.1 The Plan
 - 1.5.2 Problems of the Plan
- 1.6 Summary
- 1.7 References/Further Readings/Web Resources
- 1.8 Possible Answers to Self-Assessment Exercise(s)

1.1 Introduction

Right from the beginning the Nigerian government tried to articulate the philosophy guiding its involvement and the degree of that involvement in national development by the following declarations:

In no country in the world is economic and social development free from some form of deliberate effort to speed up the process. Governments everywhere play a vigorous role in shaping the design of a nation's economic development. In some countries the role of government is all-pervading and directly and extensively interferes with the lives of the people. In other countries, the influence of government is limited to policy measures within which all economic and other actions take place and which provide the stimulus to such actions. ... In the free society of Nigeria/ this involvement should take place at all levels and through a wide

variety of forms: from the provision of health services and schools to the provision of credit for agriculture and industry: from technical training to the training of businessmen and the promotion of scientific research The basic objective of (development planning) in Nigeria is not merely to accelerate the rate of economic growth and the rate at which the level of living of the population can be raised: it is also to give her an increasing measure of control over her destiny (1962-68 plan document).

1.2 Learning Outcomes

By the end of this unit, you will be able to:

- explain planning process in Nigeria.
- analyse how federalism encourages decentralisation of planning in Nigeria
- evaluate the philosophy guiding planning in Nigeria

1.3 Planning Process in Nigeria

1.3.1 Philosophy Guiding Planning in Nigeria

Right from the beginning the Nigerian government tried to articulate the philosophy guiding its involvement and the degree of that involvement in national development by the following declarations:

In no country in the world is economic and social development free from some form of deliberate effort to speed up the process. Governments everywhere play a vigorous role in shaping the design of a nation economic development In some countries the role of government is all- pervading and directly and extensively interferes with the lives of the people. In other countries, the influence of government is limited to policy measures within which all economic and other actions take place and which provide the stimulus to such actions.

... In the free society of Nigeria/ this involvement should take place at all levels and through a wide variety of forms: from the provision of health services and schools to the provision of credit for agriculture and industry: from technical training to the training of businessmen and the promotion of scientific research The basic objective of (development planning) in Nigeria is not merely to accelerate the rate of economic growth and the rate at which the level of living of the population can be raised: it is also to give her an increasing measure of control over her destiny (1962-68 plan document).

Nigeria's planning experience dates back to the 1940s when the British Colonial office requested the colonies to prepare development plans, which would assist it in disbursing the colonial Development and Welfare Funds. In response to this request the Administration in Nigeria

prepared the Ten-Year Plan of development and Welfare covering the period, 1946-56. Subsequent development plans include the 1955-60 plans, the 1962-68 plans, the 1970-74 plans, the 1975-80 plans, the 1981-85 plans, and the three-year Rolling Plans (1990-93). Let us start the discussion with planning process.

1.3.2 Planning Process

Planning as a concept implies high level of regimentation and control. It also involves the acceptance of a clearly defined set of social and economic objectives in terms of which overall policies are framed. The planning process cuts across constitutionally delimited powers and functions of the central and regional governments and these two planning levels must be brought into harmony with each other. It would obviously be destructive of the purpose of planning if the component units go ahead with developing plans that conflict with each other and with the central government's plan as well.

However, federalism involves the division of powers among levels of government, the existence of a written constitution showing the division, and the coordinate supremacy of the levels of government with regard to their respective functions (Anyebe, 1995). The constitution therefore, provides for a polycentric political system where there are many centres of decision making; each centre being formally independent of the other and bearing responsibility for the basic social services. This means that each level of government can decide and act on issues within its defined jurisdiction, irrespective of whether or not other levels are disposed towards such decisions and/or actions. This is why the viewpoint often held is that federalism is in conflict with planning.

The federal character of Nigerian government and the political sensitivity of the various states or sections have highlighted the need for a balance between centralisation and decentralisation in the planning process. Thus, the process of plan formulation in Nigeria involves almost all the agencies of the federal and state governments.

Planning process is usually set in motion by nationwide planning workshops held at the instance of the National Planning Commission (formerly known as National Planning Office). Areas emphasized at the workshops normally include planning techniques, plan formulation national and sectoral policies, manpower implications for the plan development strategies etcetera. The Commission proceeds to prepare guidelines for the impending plan and in so doing due attention is accorded recommendations of the workshop. The guidelines usually contain an analysis of the major problems of the country's socio-economic system, sector by sector and provide some indications of the types of policy

guidelines aimed at alleviating the identified problems during the ensuing plan periods. The guidelines also contain estimates of funds, which will be available during the plan period, the objective of the plan etcetera.

This document is extensively discussed at ministerial levels, the Joint Planning Board, the Conference of Ministers/Commissioners for Economic Planning and the National Economic Advisory Council. Finally, it is submitted to the higher decision-making bodies in the country, for example, the National Economic Council for approval and subsequently published as a policy document. It helps to prepare the mind of government agencies both at the federal and state levels for the impending planning exercise.

Shortly, after the publication of the guidelines, circular letters are sent to all federal ministries and state governments inviting them to submit their projects for the plan. They are required to submit such projects on formats designed for the purpose and in line with the policies and priorities spelt out in the guidelines. On receiving the project proposals, each department of the National Planning Commission undertakes a careful analysis of each project proposal under its schedule and makes recommendations as to whether a particular project based on its technical and economic viability, social justification and consistency with stated national priorities should be admitted into the plan. The specifications of selected projects are also indicated by providing such information as, the agency responsible for the implementation of the project, the physical scope and financial magnitude of the project. Attempts are also made, based on projected executive capacity of various agencies to indicate the phasing of the plan and allocation to each project on an annual basis; this serves as a guide in making yearly budgetary allocations. These projects with the appropriate recommendations of the sectoral officers are subsequently examined by the National Planning Commission in a series of internal seminars at which the position of the Commission with respect to each project is determined, subject of course, to further examination at the succeeding planning stages.

The next stage is a series of bilateral meeting with each federal ministry and its associated agencies to enable further reviews of the projects. Additional information is supplied where necessary and ambiguities clarified. By the end of such meetings each ministry would have known which of its projects are likely to be admitted having regard to relevance, scope, costs, phasing and other details of the projects. Similar series of meetings are also held with representatives of each of the state governments. By the end of these rounds of consultations, a clearer picture would have emerged as to the likely magnitude and composition of the investment component of the plan. The total picture is, of course, reconciled with the macro-economic projections to ensure consistency of goals and means because the aggregate demand for investment resources (especially domestic savings and foreign exchange) must not exceed the

projected level of investment funds for the purpose if serious economic instability is to be avoided in the pursuit of rapid economic growth (Ayo, 1988).

After the project details have been agreed upon, the drafting of the various Sections of the plan is commenced. This draft is again submitted to the various planning bodies such as the Joint Planning Board (it uses technical criteria to assess feasibility of all projects to ensure that these project proposals are consistent with national planning objectives explained in the guidelines), the conference of Ministers/Commissions for Economic Planning and National Economic Council where it is discussed in great deal and proposed amendments incorporated thereafter. The draft then moves to the president-in-Council for final approval and after which it is published as a national document.

Projects approved under a plan are usually implemented by the ministry, department or agency that initiates the projects while the National Planning Commission assists these agencies by advising on changes and adjustments to ensure that the basic economic and fiscal policies are in conformity with the requirements of the plan. Ministries departments or agencies responsible for the execution of plan projects are required to monitor the implementation (using various committees) and supply detailed information to the National Planning Commission for the purpose of the production of periodic progress reports on the plan.

Self-Assessment Exercise 1

- i. Explain the philosophy guiding planning in Nigeria.
- ii. Explain why planning process in Nigeria.

1.4 1946-56 Plan

1.4.1 The Plan

In December 1945, sessional paper No. 24 1945 titled, Ten-Year Plan of Development and Welfare for Nigeria was laid on the table of the Legislative Council of Nigeria. In February 1946, Legislation incorporating the plan was adopted by the Council. It derived from a development in 1940 when the Colonial Development and Welfare Act was passed in Britain with the purpose of promoting the social betterment of the colonies (Okigbo, 1989).

Following the adoption of the legislation incorporating the plan, a colonial Economic Advisory Committee with a star-studded membership including economists such as Lionel Robbins, Evan

Durbin, Arnold Plant, Hubert Henderson and ex-colonial administrators as the former Governor of Nigeria, Sir Bernard Bourdillon was established. The controversy that greeted the committee over its status, role, and competence to discuss or initiate discussion of such matters as strategies for agricultural development, industrial development, colonial public debt, division of taxation between the colonies and the United Kingdom and bulk purchasing arrangement made the enactment of a new colonial development and Welfare Act imperative. The new Colonial Development and Welfare Act of 1945 restricted the role of the Advisory Committee to the steady inflow of development plans from the colonies without imposing solutions on them.

As far as Nigeria was concerned, its size dictated that some central organisation should be established for overall coordination, control of finances and the preparation of major policy. An Advisory Committee on Economic Development and social welfare was established to parallel the Colonial Economic Advisory Committee in the Colonial Office but its membership was restricted to officials. Also, a Central Development Board consisting of the Development Secretary (Chairman), the three chief Commissioners for the Northern, Western, and Eastern Provinces, the Commissioner of the colony, the Financial Secretary to the Government, and the Director of Public Works was established in the Secretariat in Lagos. The function of the Board was to lay down planning principles and policies, priorities and funding of development year by year and between one part of the country and another.

In the provinces and the colony, the Chief Commissioners established Area Development Committees made up in each case of the, Resident and representatives of departments. The Area Committees were expected to evaluate proposals from the provinces prior to their submission to the Central Development Board. Each province (there were twenty-four of them) also had a Provincial Development Committee consisting of the Resident as Chairman, representatives of departments and some unofficial members. The role of these committees was to prepare local schemes to be sent to the Area Development Committee.

The arrangements, according to Okigbo (1989), would have been of no avail if there had been no organisation at the apex to make the necessary decisions. The answer was the Governor-in-Council in Lagos who took the necessary decisions on the spot, and the Secretary of State for the colonies in the Colonial Office who had the power to approve or reject proposals. And since the bulk of the finance was to come directly from or was channeled through the colonial office, the approval or sanction of

the secretary of the state became, in the final analysis, the final authority and represented British government policy.

Simultaneously, decisions, that were to apply to a particular colony, had to be given local legal backing. In Nigeria, they were therefore, referred to the legislative council in which at that time, British Official members predominated over Nigerian members who were either elected (as in the colony) or appointed (as in the protectorate). The ten-year plan of development and welfare for Nigeria, 1946-56, had therefore to be approved by the legislative council in order to have the necessary legal validity and legitimacy.

The philosophy underlying the plan was fully articulated in a document published in 1945 entitled, 'preliminary statement on development in Nigeria.' The need for planning was defined by the uneven progress of the country upto that time, a situation made worse by the retrenchment policies of the 1930s following the worldwide recession. It had become apparent therefore, that coordinated plans should be formulated and executed to improve the standards of health, education, transport and similar services. The plan drew deeply on the philosophical attitudes of the time in particular socialist doctrines that sprang from the triumph of the Labour party in Britain after two decades in the shadows. The pre-occupation with welfare and social development in Britain was carried forward to the colonies and translated into concrete form in the plan.

Under the plan, a total planned expenditure of about N110.0 million for a period of ten years was envisaged with N 46.0 million of the amounts to be met with funds provided under the colonial development and welfare act. The plan, however, did not run its full term because by 1950, the inappropriateness of charting development over a period as long as ten years in country experiencing rapid structural changes had become evident. The estimated costs of projects over a ten-year period could be at best, an educated guesswork. This was readily appreciated in the formulation of the plan that the cost figures were only tentative and would be subject to further revisions in the light of new information, knowledge and prospects for financing. Also, the data required for effective planning were grossly deficient. Therefore, a decision was taken to break the plan into 2 five year periods (1946-51) and 1951-56).

Self-Assessment Exercise 2

- i. Explain one (1) strength of 1946-56 Plan.
- ii. Explain one (1) problem associated with the Plan.

1.4.2 Criticisms

The plan had been criticised for many reasons. For example, the authors of the National Development Plan, 1962-68 wrote that the programmes of the Ten-Year Plan of Development and Welfare for Nigeria were not 'plans' in the true sense of the word. More accurately, they constituted a series of projects, which had not been coordinated or related to any overall economic targets. This criticism contains a large element of truth. It is valid in the sense that there were no overall economic targets in terms of macro-economic variables, readily quantifiable, against which the performance of the plan could be measured. The plan, also, was not comprehensive as it was more of a list of projects, the selection and preparation of which did not take into account the participation of the people being planned for, it completely neglected major branches of activity (for example industry) and concentrated on social services, agriculture and communications. One major error, which was frequently permitted, the authors of the National Development Plan 1962-68 continued, was that entirely new and unrelated projects were readily substituted for original programmes without proper analysis and coordination with other projects. The justification given was flexibility. Actually, ten years is too long a span given the state of statistical information, to plan for a country like Nigeria.

1.5 1955-60 Plan

1.5.1 The Plan

Even though the revised 1951-56 plans was not due to come to an end until March 1, 1956 it came to a premature end in 1955 as a result of the introduction of a federal system of government in the country in 1954. Since the new constitutional arrangements made each of the regions autonomous, each of the then regional governments and the Federal Government launched its own five-year development plan for the period, 1955-60. After a series of review, the estimated total cost of the programme was about N328.00 million. One consequence of setting up such powerful autonomous regions was the existence of considerable overlapping in the plans of the various regions and the need to coordinate them at the national level.

The National Economic Council (NEC), which was established in 1955, was the first major attempt to create a national institutional framework for planning and this body was to provide a forum to discuss development policies and common economic problem. NEC which was chaired, initially by the Governor-General and later by the Prime Minister while the regional premiers and some federal and regional ministers were members; was intended to achieve the coordination that

the decentralisation of planning had made necessary. It was stipulated that:

The council will be a consultative body in which the governments of the Federation and the regions may meet to discuss the many economic problems common to each notwithstanding their separate constitutional functions and of consequences reaching beyond their respective constitutional spheres. The council will provide a permanent basis for such consultations without, however, encroaching upon the authority entrusted by the constitution to the respective governments. It is designed to give the maximum encouragement to the development of a national economic policy and to close cooperation towards that end between the governments in the federation (The 1962-68 plan).

One defect of NEC was that its deliberations were infrequent, meeting only seventeen times in the ten years of its existence (1955 - 1965), an average of about 1.5 meetings a year - and there were years, too, in which it did not meet. The mode of discourse at NEC's meetings was said to be one of generalised debates over national policy preferences and accommodation rather than detailed examination of policies.

Conscious of its relative weaknesses NEC established the Joint Planning Committee (JPC) in 1958 as its intellectual and technical arm which was charged with the advisory task of formulating planning objectives and of coordinating the planning proposals of federal and regional governments. This committee, chaired by the Economic Adviser to the Prime Minister had officials (Permanent Secretaries of Planning Ministries) of the governments of the Federation as members. Its specific duties among others were:

- To examine and report upon any matters remitted to it by the National Economic Council or Individual governments.
- To advise the National Economic Council, in particular by:
 - i. Preparing a statement of fundamental objectives for the guidance of the planning committees of the several governments in the federation of their development plans for each succeeding period.
 - ii. Examining the plans formulated by the governments and advising what modifications should be made to them in the light of the fundamental objectives agreed for this purpose in order that the plans together may form a coherent whole.
- To direct its secretariat in:
 - i. The preparation of studies, reports and surveys;
 - ii. The collation, coordination, and dissemination of information.

1.5.2 Problems of the Plan

Although JPC was supposed to be a committee of experts drawn from the federal and regional governments, most of those who took part in its deliberations were not economists, but generalist administrators. Other weaknesses of the Committee according to Oyovbaire (1975) include the fact that its members were not only impermanent, its meetings were generally attended only by junior regional and federal officials (representatives of the relevant permanent secretaries). The high rate of mobility of civil servants between ministries and between ranks caused a (rapid) turnover in the Committee's membership, few participants in its activities were said to be there under the same schedule for more than two years running. By and large, the politics of the regional governments, their rivalries and political alignments seeped through to the JPC. Although the officials were expected to attend and to discuss the issues before them dispassionately and in the interest of the country as a whole, the divergent views of the members of the JPC, according to Okigbo (1989), often reflected the positions taken by the governments whose delegates they in fact were, the rivalry between the regions became a regular feature of the meetings of the JPC and this rivalry was often transferred to the meetings of the National Economic Council. The fact that the Committee was subservient to NEC, and the need to reflect in its own deliberations the political bargaining of the council, made the JPC succumb to political pressures.

What is more, by 1959 the federal Plan and the plans for the three regions which were to cover the period 1955-60 were at variance with one another; the Western Region felt it had completed its plan and was about to begin a 1960-65 programme; the Eastern Region abandoned the 1955-60 plan and was engaged in a 1958-62 plan; and the North wanted its plan extended for further two years. Unfortunately, NEC could not enforce discipline as its decisions were not binding on the various governments (Anyebe, 1995).

Self-Assessment Exercise 3

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|---|
| <ol style="list-style-type: none">i. Describe one (1) institution established during the 1955-60 Planii. Mention one (1) challenge encountered by the Plan |
|---|

1.6 Summary

This unit discussed the planning process and Nigeria's experience in development planning.

1.7 References/Further Readings/Web Resources

Anyebe, A. A. (1995). *Federalism and National Development Planning in Nigeria: A Case Study of the 1981-85 Plan unpublished Ph.D Dissertation*, Postgraduate School, Ahmadu Bello University, Zaria.

Ayo, J. E. (1988). *Development Planning in Nigeria* (Ibadan: University Press Limited) Baldwin, R. and Meier, G. (1957): (New York; Wiley). *Economic Development*.

Federal Government of Nigeria: *The 1962 – 68 Plan Document*.

Okigbo, P.N.C. (1989). *National Development Planning in Nigeria.1900-1992* (Valliers Publications London N6).

1.8 Possible Answers to SAEs.

Answers to SAEs 1

- i. Explain the philosophy guiding planning in Nigeria.
- ii. Explain why planning process in Nigeria.

Right from the beginning the Nigerian government tried to articulate the philosophy guiding its involvement and the degree of that involvement in national development by the following declarations. In no country in the world is economic and social development free from some form of deliberate effort to speed up the process. Governments everywhere play a vigorous role in shaping the design of a nation's economic development. In some countries the role of government is all-pervading and directly and extensively interferes with the lives of the people. In other countries, the influence of government is limited to policy measures within which all economic and other actions take place and which provide the stimulus to such actions. In the free society of Nigeria/ this involvement should take place at all levels and through a wide variety of forms: from the provision of health services and schools to the provision of credit for agriculture and industry; from technical training to the training of businessmen and the promotion of scientific research. The basic objective of (development planning) in Nigeria is not merely to accelerate the rate of economic growth and the rate at which the level of living of the population can be raised: it is also to give her an increasing measure of control over her destiny.

Planning as a concept implies high level of regimentation and control. It also involves the acceptance of a clearly defined set of social and economic objectives in terms of which overall policies are framed. The planning process cuts across constitutionally delimited powers and functions of the central and regional governments and these two planning levels must be brought into harmony with each other. It would obviously be destructive of the purpose of planning if the component units go ahead with developing plans that conflict with each other and with the central government's plan as well.

Answers to SAEs 2

- i. Explain one (1) strength of 1946-56 Plan.
- ii. Explain one (1) problem associated with the Plan.

Following the adoption of the legislation incorporating the plan, a colonial Economic Advisory Committee with a star-studded membership including economists such as Lionel Robbins, Evan Durbin, Arnold Plant, Hubert Henderson and ex-colonial administrators

as the former Governor of Nigeria, Sir Bernard Bourdillon was established. This Plan was well articulated by these experts.

The plan, however, did not run its full term because by 1950, the inappropriateness of charting development over a period as long as ten years in country experiencing rapid structural changes had become evident.

Answers to SAEs 3

- i. Describe one (1) institution established during the 1955-60 Plan
- ii. Mention one (1) challenge encountered by the Plan

The National Economic Council (NEC), was established in 1955, and this was the first major attempt to create a national institutional framework for planning. This body was to provide a forum to discuss development policies and common economic problem. NEC which was chaired, initially by the Governor-General and later by the Prime Minister while the regional premiers and some federal and regional ministers were members; was intended to achieve the coordination that the decentralisation of planning had made necessary. It was stipulated that the council will be a consultative body in which the governments of the Federation and the regions may meet to discuss the many economic problems common to each notwithstanding their separate constitutional functions and of consequences reaching beyond their respective constitutional spheres. The council will provide a permanent basis for such consultations without, however, encroaching upon the authority entrusted by the constitution to the respective governments. It is designed to give the maximum encouragement to the development of a national economic policy and to close cooperation towards that end between the governments in the federation.

One defect of the NEC to coordinate the Plan was that its deliberations were infrequent, meeting only seventeen times in the ten years of its existence (1955 - 1965), an average of about 1.5 meetings a year - and there were years, too, in which it did not meet. The mode of discourse at NEC's meetings was said to be one of generalised debates over national policy preferences and accommodation rather than detailed examination of policies.

Unit 2 Nigeria's Experience Contd - 1962-68 Plan, 1970-74 Plan & 1975-80 Plan

Unit Structure

- 2.1 Introduction
- 2.2 Learning Outcomes
- 2.3 1962-68 Plan
 - 2.3.1 The Plan
 - 2.3.2 Problems of the Plan
- 2.4 1970-74 Plan
 - 2.4.1 The Plan
 - 2.4.2 Problems of the Plan
- 2.5 1975-80 Plan
 - 2.5.1 The Plan
 - 2.5.2 Problems of the Plan
- 2.6 Summary
- 2.7 References/Further Readings/Web Resources
- 2.8 Possible Answers to Self-Assessment Exercise(s)

2.1 Introduction

At its tenth meeting in 1959, the National Economic Council (NEC) decided that a national development plan be prepared for the country and this decision gave birth to the 1962-68 plans. Under the plan, a total investment expenditure of about N2,130.00 million was proposed; out of this, the public sector investment was expected to be about N1,352.3 million while the remaining investment expenditure of N780.00 million was expected to be undertaken by the private sector.

2.2 Learning Outcomes

By the end of this unit, you will be able to:

- briefly discuss the 1962-68 plan.
- analyse briefly the 1970-74 plan.
- assess the 1975-80.

2.3 The 1962-68 Plan

2.3.1 The Plan

At its tenth meeting in 1959, the National Economic Council (NEC) decided that a national development plan be prepared for the country and this decision gave birth to the 1962-68 plans. Under the plan, a total investment expenditure of about N2,130.00 million was proposed; out of

this, the public sector investment was expected to be about N1,352.3 million while the remaining investment expenditure of N780.00 million was expected to be undertaken by the private sector.

The statement of National objectives expressed in the 1962-68 plans appeared clear and articulate (Okigbo, 1989).

These objectives were: the achievement and maintenance of the highest possible rate of increase in the standard of living and the creation of the necessary conditions of this including public support and awareness that will be required. In concrete terms, these objectives were translated to cover

- A growth rate of the gross domestic product at 4% per annum;
- Savings ratio to be raised to 15% of the gross domestic product;
- An annual investment of 15% of the gross domestic product;
- Acceptance by all governments that the highest priority should go to agriculture, industry, training of high level and intermediate manpower.

However, the procedure for formulating these objectives was no more than educated guess work as the planners did not have at their disposal the relevant information on the main parameters such as consistent national income series, data on population growth and its characteristics, productivity, costs, and financial flows. For example, the rate of growth of 4% per annum was arrived at, by using the 1950-57 data on national income to calculate the income for the base year 1962 and this was extrapolated to 1968. In the absence of such detailed information the cost of decisions could become prohibitive and the possibilities of inconsistent decisions become greater and greater. This was what made Stolper describe the 1962-68 Development plan as 'planning without facts' (Dean, 1972).

Nevertheless, the plans, which came out in 1962, were a considerable improvement over the 1955-60 development programmes in many ways. First, all governments had uniform plan period. Second, efforts were made to set and quantify national economic goals, and finally all governments accepted the same priorities. The plan, according to the then minister of Economic Development is a manifestation of the growing recognition of the need to work towards common ends (1962-68 plan document, pg.5). In fact, the 1962-68 plans were described as the first national plan. The plan was so described because it was the first post-independence plan, the previous ones having been formulated and executed during the colonial era with little participation (especially during the ten-year plan of Development and welfare. It was even claimed for the 1962-68 plan that it rectified the defects in the previous

plans. It has therefore, become necessary to see how far this claim is true and to what extent the 1962-68 plan established a procession of truly national plans

In 1962, Nigeria was governed by the federal government at the centre and three regional governments. The 1962-68 plans was made up of four units, one for each government. Each government's plan was however, developed relatively dependently, the unifying factor being the general consensus among the governments concerning the general and overall objectives and the general direction of the priorities to be accorded to the different sectors of the public expenditure. The regional governments plans covered the areas within their jurisdiction while the federal government plan extended to all parts of Nigeria where the federal government either had projects in existence, or was contemplating the establishment of some new facility or aiming to modify, maintain or improve an existing facility.

Since the powers of the federal government and the regional government had to be coordinated in the areas within the jurisdiction of the regional governments the federal government was so anxious to respect the integrity of the regional governments that it left to them the planning of the economies of the regions. The centre was therefore, criticised for being too weak to impose its will on the political powerful regions. The federal government was not strong enough to discourage a regional government from embarking on a scheme that, in its own opinion, the particular region was not suited for, for example, the plan of the east to foster cocoa production, which was a specialty of the west, and the west plan to encourage the growth of rubber and cotton, which were specialties of the mid-west and north respectively could not be discouraged by the federal government.

The lack of uniformity in the organization of the plan can be traced to the federal structure of the country and the independence constitution, which left the regions in a relatively powerful position vis-a-vis the centre. It may be traced also in a more direct sense to the fact that the respective leadership of the political parties at the time had their bases in the regions; the main political parties were represented in the federal government not by the party leaders but by their deputies while the leaders themselves assumed the headship of the regional governments.

In this political environment, the federal government worked more as a delegate of the regional governments than as their master. It was careful in its dealings with them and scrupulous to avoid a show of overriding constitutional authority. Besides, the governments in each of the three main regions; the northern, eastern and western, were run by different political parties. The Northern People Congress (NPC) formed the government of the Northern Region while the National Council of

Nigerian citizens (NCNC) formed government of the Eastern region. The Action Group (AG) governed the Western Region, with the Mid-Western Regional having an NCNC government. The federal government was a coalition of two political parties - NPC and NCNC. Attitudes at the National Economic Council reflected these political realities; the Northern Region dominated by its premier Sir, Ahmadu Bello, controlled the federal Government through its prime Minister, Sir, Abubakar Tafawa Balewa, who was only Bello's deputy as a leader of the NPC. The Eastern Region with Dr. Michael Okpara as Premier had a number of ministers in the federal cabinet. The Western Region whose ruling party was not in the central coalition had a number of ministers in the federal cabinet; its own government of the Western Region was run by the deputy leader of the Action Group, Chief S.L. Akintola, since the leader, Chief Obafemi Awolowo, was then out of office.

The situation was over-ripe for political coalition; for each major issue new realignments appeared from time to time, depending on what subject was before the National Economic Council. According to Okigbo (1989), the need for strategic behaviour developed out of a practice whereby as the agenda and memoranda for each meeting were circulated to the governments; each government took a position in its own executive council. Since the leaders of the delegations were (except for the federal government) themselves heads of their own governments and presided over their executive council, they had to be seen to bargain vigorously, especially if it appeared that the final resolution of the National Economic Council would be different from positions they had previously taken.

The bargaining was not entirely conducted in the open. Each government or region had its own men in the federal councils of ministers. Each government therefore, put considerable pressure on its representatives at the centre to ensure that the attitude of the federal Prime Minister was sympathetic to its course. It usually required the Prime Minister's astuteness to hold the council together and to steer as objective a course as possible. At the centre, a coalition of two parties gave the government a comfortable majority. While in theory it was easy to carry through any resolution it wanted, in practice, difficulties arose because of the divergence in the political manifestoes and philosophies of the parties in coalition. When political rivalry descended into the arena of economics, it retarded the possibility of developing a truly national plan.

There was another sense in which the 1962-68 plans was not national. A national economy can be divided into two sectors; public and private. A truly national plan would have spelt out the roles of the two sectors, the expectations and responsibilities of each sector and the means whereby each sector was to achieve targets set for it. The 1962-68 plan was

confined to the public sector and made no attempt whatever to indicate what the private sector was expected to achieve, except by way of a residual target in aggregate investment. The only area where it indicated clear targets and policies for the private sector was in the level of contributions from the private sector in taxes and other revenues. It remained silent on the degree of participation by the private sector in overall development and indeed, even as the extent of cooperation between the public authorities and the private sector in realizing the targets set for the public authorities.

There was virtually no participation by the private sector in the preparation of the 1962-68 plan, planning was entirely the work of public officials without any pretence at consultation with private sector. Institutions like the Nigerian Employers' Consultative Association Nigerian Manufacturers Association, Chambers of Commerce etcetera were occasionally consulted on specific issues especially on tariffs and protective measures for nascent industries but there was no organized forum in which the organised private sector could air its aspirations except by means of periodic delegations to the minister concerned. The federal and regional governments did not incorporate in their respective plans the aspirations; intentions or projects envisaged by private entrepreneurs. The coverage of the 1962-68 plan was consequently limited in its national scope. It should be pointed out also that most of the regional governments made no attempt to encourage local authorities to prepare their own plans and integrate these plans into the regional plans. Planning at the local level was a neglected area during the 1962-68 plans.

Several problems were encountered in the machinery designed for the preparation of the 1962-68 plan. Most of the agencies, particularly at the regional level lacked adequate personnel to handle the task at hand. Economists, statisticians and other technical staff required for drawing up a comprehensive plan were in short supply. Therefore, considerable reliance had to be placed on the services of foreign experts (who might not fully understand the social and political setting of the country, or might not be fully committed to its development) in the preparation of the plan.

The Economic Planning Unit (EPU) created in the Federal Ministry of Economic Development during the preparation of the 1962-68 plan could not help much in the plan preparation. EPU which was a major planning agency of the Federal Government had as of 1960 only two senior civil servants but by early 1962 it had eight. Only two of these eight remained in the agency as of December 1965 (The departure of the three American Planners accounts for only half of the loss of six staff members). But ten new members, most of them rather young, had been in the civil service for three and half years or less; several of the seven

had received their first degrees in 1962 or later, and only one of the twelve was a holder of a doctorate in economics (Dean, 1972). Clearly, in spite of serious efforts made to develop the EPU, it was too small and inexperienced a body to serve as an adequate control agency for a programme as huge as a national plan. Furthermore, the body had little control over the federal ministries and non at all with regard to the regional government. Clark, who worked in the EPU, described an unfortunate situation in which the size of the total programme of each government became the central issue of the planning exercise supplanting the cooperative efforts needed... for the national planning (Dean, 1972). Comments in the progress report (1964 pp. 6 and 7) give a frank and accurate description of the problems of executive capacity in the plan preparation and implementation:

. . . The professional, technical planning and other staff required for carrying out the plan was in great shortage and the organization of the machinery required for the execution of the plan could not be set up (early); effective coordination of all plan implementation activities was generally lacking. Despite these problems, many of the major projects embarked upon during the plan period were successfully completed. These include the port-Harcourt Oil Refinery, the Nigeria Security and Minting Plant, the Jebba Paper Mill, Bacita Sugar Mill, the Kainji Dam, the Niger Bridge, first generation universities, some trunk roads, and Lagos port extension.

After the coups of January and July 1966, economic planning lost its relevance. The economy was seriously disrupted while political crises and military preparations which accompanied them, dominated government activity.

Self-Assessment Exercise 1

- i. Give one (1) achievement of the 1962-68 Plan
- ii. Describe one (1) problem of the 1962-68 Plan

2.3.2 Problems of the Plan

Since the powers of the federal government and the regional government had to be coordinated in the areas within the jurisdiction of the regional governments the federal government was so anxious to respect the integrity of the regional governments that it left to them the planning of the economies of the regions. The centre was therefore, criticised for being too weak to impose its will on the political powerful regions. The federal government was not strong enough to discourage a regional government from embarking on a scheme that, in its own opinion, the particular region was not suited for, for example, the plan of the east to

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Several problems were encountered in the machinery designed for the preparation of the 1962-68 plan. Most of the agencies, particularly at the regional level lacked adequate personnel to handle the task at hand. Economists, statisticians and other technical staff required for drawing up a comprehensive plan were in short supply. Therefore, considerable reliance had to be placed on the services of foreign experts (who might not fully understand the social and political setting of the country, or might not be fully committed to its development) in the preparation of the plan.

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. . . The professional, technical planning and other staff required for carrying out the plan was in great shortage and the organization of the machinery required for the execution of the plan could not be set up (early); effective coordination of all plan implementation activities was generally lacking. Despite these problems, many of the major projects embarked upon during the plan period were successfully completed. These include the port-Harcourt Oil Refinery, the Nigeria Security and Minting Plant, the Jebba Paper Mill, Bacita Sugar Mill, the Kainji Dam, the Niger Bridge, first generation universities, some trunk roads, and Lagos port extension.

After the coups of January and July 1966, economic planning lost its relevance. The economy was seriously disrupted while political crises and military preparations which accompanied them, dominated government activity.

2.4 1970-74 Plan

2.4.1 The Plan

Before the expiration of the 1962 - 68 plan and just about the time that work was to commence on the preparation of the next plan, the country experienced a national crisis of immense proportions which seriously affected the operations of the planning institutions. The National Economic Council and the Joint Planning Committee ceased to function because of the crisis and they were both replaced by the National Economic Planning Advisory Group in 1966 and one of its functions was to review the progress of the economy since independence. The Advisory Group was unable to function effectively in an environment that required a rigorous and constant interventionist policy in the economic affairs by government.

The Second National Development Plan (1970 - 74) was formulated and implemented under a military regime and it was launched shortly after the end of the civil war with the aim of reconstructing the war - battered economy and social development in the country. Under normal conditions, the preparation of the Second National Development Plan would have been finalised much earlier but because of the civil war. the implementation of the first National Development plan was extended to 1970. The experience and the lessons of war, no doubt influenced the national philosophy, which served as the principal focus of the plan. This philosophy is spelt out in the objectives, which were to establish Nigeria as:

- a united, strong and self-reliant nation;
- a great and dynamic economy;
- a just and egalitarian society;
- a land of bright and full opportunities for all citizens; and
- a free and democratic society.

This was the first attempt to express the social philosophy underlying the country's planning efforts. The plan was much bigger in size (the total capital expenditure was about N4.9 billion) than its predecessors. According to Ayo (1988) the Second Plan was more diversified in its project composition than the earlier plans and it was in fact the first truly

national and fully integrated plan which viewed the economy as an organic unit, the twelve states being fully integrated in the plan. However, Okigbo (1989) describes the objectives of the 1970 - 74 plan as general in tone and content. No form or content had been given to what would constitute greatness or what would be regarded as dynamic. There was no way to measure or assess whether the claim of a particular policy was valid with respect to making Nigeria great and dynamic. The inclusion of the objective of a 'free and democratic society', he continued, took the planners, outside the realm of economics.

The splitting of the country into twelve states in 1967 brought another dimension to the problem of planning. The machinery which had been designed to formulate and coordinate national planning when there were five governments became inadequate to withstand the demands of thirteen governments, most of which lacked the relevant institutional machinery and manpower resources for economic planning. With the exception of perhaps the Western and Mid-Western States, all other states were still relatively new for planning purposes during the 1970 - 74. Plan period, and this included the East-Central State, which had just emerged from being the main theatre of the civil war. What emerged therefore, was a clear recognition that the Federal Government must take the lead and coordinate the national efforts in formulating plans. This greater role was exercised through the Federal Ministry of Economic Development and Economic Planning Unit (EPU) located in that ministry. EPU, in essence became the centralised agency for coordinating federal and state projects through mutual consultations.

As to the institutional machinery for planning after the civil war, the pre-war practice and methods became inadequate. Therefore a professional planning body - the central planning office (CPO) was created in 1972 under the umbrella of the Federal Ministry of Economic Development and Reconstruction. The CPO replaced EPU. To ensure that all the sectors of the economy were given adequate consideration in the formulation of the plan, a National Economic Advisory Council (NEAC) was set up in 1972. This was in response to the criticism that the private sector had been planned for but not taken into confidence. This Council was presided over by the Federal Commissioner for Economic Development and Reconstruction and its membership cut across the various sectors of the economy, comprising the representatives of various organisations in the private sector of the economy such as the Trade Unions; the Nigerian Chambers of Commerce and Industry; Manufacturers' Association, University Teachers, some acknowledged individual professionals, and officials of the Central Bank and the Nigerian Institute of Social and Economic Research (NISER). It was to advise government on economic matters.

It is arguable to what extent the inputs of these organised private sector representatives in the council adequately took care of the sector's interests in the subsequent development plans. In fact, the Udoji Public Service review Commission cynically observed in 1974 that... the performance of NEAC has so far fallen below expectation. Its performance has been more or less limited to consideration of papers prepared by the central planning office. This was definitely not sufficient. The council was expected to identify problems independently, commission its own studies, and make positive recommendations to government on the integration of the private sector in the planning process.

Another body, the Joint Planning Board (JPB) which drew its membership from the federal and state ministries, the Central Bank of Nigeria, and the Nigerian Institute of Social and Economic Research was set up to harmonise the economic policies and development activities of the federal and state governments and to examine in details all aspects of planning and make recommendations to the government. In the Military era, the draft goes from the joint planning board to the higher decision making bodies such as the conference of minister/commissioners for economic planning, federal executive council or national council of ministers, and the national council of states for their perusal and recommendations to the Supreme Military Council or the Armed Forces Ruling Council for approval. The Supreme Military Council is the highest authority for making policies during military regime and it is composed of the head of state and commander-in-chief of the armed forces as chairman, the chief of staff supreme headquarters or chief of general staff, general headquarters, the secretary to the Federal Military Government, heads of the Nigerian Army, the Navy, the Airforce, the Police and a few top ranking military officers.

Self-Assessment Exercise 2

- i. State the objectives of the 1970-74 Plan
- ii. Briefly explain one (1) problem of the 1970-74 Plan

2.4.2 Problems of the Plan

The second national development plan was largely the responsibility of the federal government with reduced responsibility for the state governments. This negates federal character principles.

The plan differed from its predecessor (that is, 1962-68 plan) as it was addressed more to reconstruction than to growth. Unlike its predecessor, it was born not out of hopes generated by the euphoria of independence

but out of the frustrations and fears generated by a pernicious, fratricidal civil war. It required that the policies used to see the country through three years of civil war be remobilised for peace to see the country resettle on a normal course. It required that even where the same criteria were used to select the main channels of investment, the policies would have to be different because the environment had to be radically altered to re-align it to peacetime objectives.

There were a few other significant differences between the 1970-74 plans and the 1962-68 plans. The state governments proposed an allocation of 17.8% of their capital programmes to agriculture between 1970 and 1974, for all governments combined that is, including the federal government, the overall proportion was 9.9%. This was clearly below what could have been expected if the emphasis of the 1962-68 plan had been continued into 1970-74.

The lion's share of the allocations in the 1970-74 plan went to transport and communications, roads, waterways and telecommunications. These represented some 40.1% of the federal government's capital programme compared with 32.5% in 1962-68 and for all governments, 30.8% compared with 25.7% in 1962-68 plan. Social services accounted for 26.6% for all governments' programmes compared with 13.5% in 1962-68. Finally, defence and security represented as much as 10.3% of the overall programme and 17.9% of the federal government's programme. This new development reflected the increasing emphasis of the federal government on security and defence problems as a result of the civil war (Okigbo, 1989).

Even in the field of agriculture, this was a significant difference in the approach taken by the federal government in 1970 from the stand it took in the 1962-68 plan. To ensure that the nation was able to feed itself, the 1975-80 plan reviewing the 1970-74 plan declared, government (federal) established food production companies which have brought into cultivation more than 60,000 acres for the production of substantial quantities of food items such as rice, maize, cassava etcetera. This is the first time the federal government had entered into direct production in agriculture. Hitherto, it was content to leave that to the state (regional) governments, which established farms and plantations. The expectation of the federal government that by its entry into this field the food problem would be nearer to its solution reflects the prevailing philosophy and a lack of appreciation by all governments of the economics of state government intervention in direct production. This miscalculation of the 1970s has continued to influence successive governments, which, in the face of unsatisfactory results, have multiplied their involvement instead of pulling out of direct production.

2.5 1975-80 Plan

2.5.1 The Plan

It has been observed that the objectives of the second National Development Plan 1970-74, as formulated, were not operational. This view was also expressed in a different way in the third National Development Plan, 1975-80 in the statement that those objectives merely provided a broad view of the ultimate aspirations of the society. The five cardinal objectives of the second National Plan were modified and increased to seven short-term objectives to form the objectives of the third National Plan as follows:

- Increase in per capita income;
- More even distribution of income;
- Reduction in the level of unemployment;
- Increase in supply of high level manpower;
- Diversification of the economy;
- Balanced development; and
- Indigenization of economic activities.

Thus, the third National Plan was an improvement over the second plan in terms of definition of objectives. The overall strategy of the plan was to utilise the resources from oil to develop the productive capacity of the economy and thereby improve the standard of the living of the people.

2.5.2 Problems of the Plan

The huge size of the plan was as a result of the optimism generated by the unusually favourable financial circumstances under which the country was operating on the eve of the plan. There had been sharp increases in both the price of crude oil as well as its level of production. By March, 1975, the country's oil production was at a record level of 2.3 million barrels a day while the price stood at 14.69 dollars per barrel having risen from 3.55 dollars per barrel in 1973. Nigeria's oil production was projected to reach 3.0 million barrels a day by the end of the plan period. This was however, not realised due to the prevailing world economic depression which resulted in production and price decline to the extent that the estimated value of oil exports in the first year of the plan in 1975-76 fell by about 1 billion dollars. Apart from this, barely two months after launching the plan, a number of other problems of disturbing proportions, which were not much in evidence at the time of the plan preparation surfaced to pose a serious threat to the successful implementation of the plan. These included the effects of the growing congestion at the ports and the acceleration of inflation, which were not only distorting the plan priorities but also eroding living standard all over the country.

With the change of government in July, 1975, a reappraisal of some of the national objectives was undertaken. Consequently, the third plan was reviewed with more emphasis placed on those projects, which had direct effect on the living standard of the common man.

Sectors such as agriculture, health, housing and water supply were therefore given more priority. For instance, target number of hospital beds proposed earlier in the plan was raised from 82,000 to 120,000. The target number of housing unit was also raised to 200,000 as against 60,000 units proposed in the plan (Ayo, 1988).

Self-Assessment Exercise 3

- i. State the objectives of the 1975-80 Plan
- ii. Explain one (1) problem of the Plan

2.6 Summary

One of the most significant features of planning since the beginning of the military rule in Nigeria, according to Abdulsalami (1977), is a noticeable national trend toward greater centralisation; the increasing federal share of available national resources, increasing scope of federal responsibilities, increasing dependence of states on federal sources for their resources and the increasing integration of the inter-governmental policy-making institutions and processes. The hierarchical nature and the rigid lines of authority of the military may have made their mark on the style of government at this time. These features must have destroyed the old regional rivalry and have consequently enabled the central government to assert itself and to prepare a plan that is more comprehensive and more integrated. The second and the third National Development Plans were formulated and implemented under military regime.

2.7 References/Further Readings/Web Resources

- Abdulsalami, I. (1977). *The Structure and Organisation of the National Planning Machinery: A Case Study of Nigeria 1962-76* an unpublished PhD Dissertation, University of Pittsburgh.
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- Dean, E (1972). *Plan Implementation in Nigeria: 1962-1966*. Ibadan: Oxford University Press.
- Okigbo, P.N.C. (1989). *National Development Planning in Nigeria. 1900-1992* (Valliers Publications London N6).

2.8 Possible Answers to SAEs.

Answers to SAEs 1

- i. Give one (1) achievement of the 1962-68 Plan
- ii. Describe one (1) problem of the 1962-68 Plan

Despite many problems encountered by the Plan, many of the major projects embarked upon during the plan period were successfully completed. These include the port-Harcourt Oil Refinery, the Nigeria Security and Minting Plant, the Jebba Paper Mill, Bacita Sugar Mill, the Kainji Dam, the Niger Bridge, first generation universities, some trunk roads, and Lagos port extension.

The professional, technical planning and other staff required for carrying out the plan was in great shortage and the organization of the machinery required for the execution of the plan could not be set up (early); effective coordination of all plan implementation activities was generally lacking

Answers to SAEs 2

- i. State the objectives of the 1970-74 Plan
- ii. Briefly explain one (1) problem of the 1970-74 Plan

The experience and the lessons of war, no doubt influenced the national philosophy, which served as the principal focus of the plan. This philosophy is spelt out in the objectives, which were to establish Nigeria as:

- a united, strong and self-reliant nation;
- a great and dynamic economy;
- a just and egalitarian society;
- a land of bright and full opportunities for all citizens; and
- a free and democratic society.

The splitting of the country into twelve states in 1967 brought another dimension to the problem of planning. The machinery which had been designed to formulate and coordinate national planning when there were five governments became inadequate to withstand the demands of thirteen governments, most of which lacked the relevant institutional machinery and manpower resources for economic planning. With the exception of perhaps the Western and Mid-Western States, all other states were still relatively new for planning purposes during the 1970 – 74 Plan.

Answers to SAEs 3

- i. State the objectives of the 1975-80 Plan
- ii. Explain one (1) problem of the Plan

The five cardinal objectives of the second National Plan were modified and increased to seven short-term objectives to form the objectives of the third National Plan as follows:

- Increase in per capita income;
- More even distribution of income;
- Reduction in the level of unemployment;
- Increase in supply of high level manpower;
- Diversification of the economy;
- Balanced development; and
- Indigenization of economic activities.

Barely two months after launching the plan, a number of other problems of disturbing proportions, which were not much in evidence at the time of the plan preparation surfaced to pose a serious threat to the successful implementation of the plan. These included the effects of the growing congestion at the ports and the acceleration of inflation, which were not only distorting the plan priorities but also eroding living standard all over the country.

Unit 3 Nigeria's Experience - 1981-85 Plan & Three-Year Rolling Plans (1990-93)

Unit Structure

- 3.1 Introduction
- 3.2 Learning Outcomes
- 3.3 1981-85 Plan
 - 3.3.1 The Plan
 - 3.3.2 Problems of the Plan.
- 3.4 Three-Year Rolling Plans (1990-93)
 - 3.4.1 The Rolling Plan
 - 3.4.2 Problems of the Rolling Plan
- 3.5 Comparison Between Plans Undertaken During Democratic Regimes and those Under Military Regime
 - 3.5.1 Plans Under Democratic Regimes
 - 3.5.2 Plans Under Military Regime
- 3.6 Summary
- 3.7 References/Further Readings/Web Resources
- 3.8 Possible Answers to Self-Assessment Exercise(s)

3.1 Introduction

Towards the end of the military administration in 1979, as we know, the Federal Military Government issued the guidelines for the fourth national development plan but the five-year plan could not be launched until January 1, 1981. The reason for the delay was to enable the new civilian administration which was installed on October 1, 1979, to participate in the formulation of policies and programmes of a development plan that it was to implement. The 1981-85 plans which provided for an investment of N82.0 billion was therefore launched by a democratically elected government under a new constitution based on the presidential system of government.

3.2 Learning Outcomes

By the end of this unit, you will be able to:

- explain two (2) features of the 1981-85 plan.
- analyse one (1) problem of the 1981-85 plan
- assess one (1) feature of the three-year rolling plans (1990-93)

3.3 The 1981-85 Plan

3.3.1 The Plan

The plan was intended to further the process of establishing a solid base for the long-term economic and social development of Nigeria. The highest priority was consequently accorded agriculture particularly food production, manufacturing, education, manpower development, and infrastructural facilities. Social services like housing, health and water supply were also emphasized with a view to improving the quality of life in both urban and rural areas.

Although the guidelines adopted in the outline for the 1981-85 plan accepted almost all the specific objectives of the third plan as still valid, it criticized the focus on growth in the previous plan as wrong and misconceived. It raised, perhaps for the first time and appropriately too for the incoming civilian politically elected administration, the basic questions: what kind of society does Nigeria wish to evolve and what is development? The guidelines proceeded to answer that 'true development' must mean the development of man-the realisation of his creative potential, enabling him to improve his material condition of living through the use of resources available to him. It went further to articulate the need for self-reliance ... and concluded that a conscious effort be made to mobilise the masses - the entire Nigerian population for the implementation of the fourth plan. The general philosophy of the guidelines adopted in the outline was therefore, that development is more about people than about things and consequently, the specific objectives set for the plan reflected this philosophy. The objectives are:

- Increase in the average income of the average citizen.
- More even distribution of income among individuals and socio-economic groups Reduction in the level of unemployment and underemployment Increase in the supply of skilled manpower.
- Reduction of dependence of the economy on a narrow range of activities
- Balanced development that is, the achievement of a balance in the development of the different sectors of the economy and the various geographical areas of the country.
- Increased participation by citizens in the ownership and management of productive enterprises
- Greater self-reliance- that is, increased dependence on local resources in seeking to achieve the various objectives of society. This also implied greater efforts to achieve optimum utilisation of Nigeria's human and material resources
 - Development of technology Increased productivity and

- The production of a new national orientation conducive to greater discipline, better attitude to work and cleaner environment (guidelines for fourth national plan).

The machinery for planning used during the 1981-85 plan was not much different from that used during the 1975-80 plan except that there was a new expectation; the local governments were to be involved in planning activities following their constitutional position as a distinct level of government with specific responsibilities. Indeed, the guidelines went so far as to assert that they were to be involved in supervising and monitoring the execution of state and federal projects located in their areas of authority. This is definitely no more than a pious homily. The local government were, as then constituted and staffed, hardly in a position to undertake such a large responsibility. However the guidelines held out an ideal which, if ever fulfilled, would offer the prospect of a significant change in the architecture of planning in the country. (Okigbo, 1989)

The outline did not go so far as the guidelines but it did claim that, for the first time, local governments were accorded a place in the new constitution and in the plan since the statement of the capital programmes of the state often contained references to local governments. It was for the state government to integrate the local government programmes into their own. The restraint in the outline was in full consonance with common sense.

In 1981, Nigeria was governed by the federal government at the centre and the nineteen state governments. The 1981-85 plans were therefore, made of twenty units, one for each government, and the planning institutions (for example, the National Economic Council, the National Planning Office, the Joint Planning Board etc) were in place at least in a formal sense. These institutions were intended to prepare plans for the nation, ensure the implementation of planned projects and to monitor any revision of the plans. The question then arises: how nationally integrated were the plans? Let us examine this question.

3.3.2 Problems of the Plan

The shortage of executive capacity especially in the area of project formulation and preparation in some federal ministries and corporations and even more so at the state level can affect the integration of national plans. Ayo (1988) asserts that except the National Planning office which had a cadre of specially trained planning officers, very few ministries and agencies at both the federal and state levels have such cadre of staff to undertake planning functions on a systematic basis. Planning duties, therefore, had to be undertaken by administrative officers who were

given ad-hoc training prior to the commencement of plan preparation. What usually emerged from this arrangement was the production of the planners who were amateurs in planning activities. In fact, many of the state ministries and their agencies were unable to evaluate the guidelines issued by the National Planning Office to know the implication for their states, and so the requirement for drawing up comprehensive documents encompassing details of local needs was out of the question.

Consequently, most of the projects submitted to the National Planning Office by many of these state ministries and their agencies for inclusion in the plan reached there most of the time as mere ideas lacking the necessary preliminary appraisals, feasibility, as well as scope and estimated costs. Thus, a considerable number of ideas admitted into the plan as 'projects' were not properly studied, designed and costed and as a result, their full indications were unknown at the time of their admission.

The inadequacy in plan integration can also be traced to the limitation in the techniques of data collection and processing. The unsatisfactory attempt at population censuses since the country's independence, the atrophy of several branches of economic data collection and even more so of the organisation of the Federal Office of Statistics all point in the direction of a weakening of the data base for national planning in Nigeria. Consequently, the preparatory work that should lead to a sound plan was often perfunctory. The procedure for formulating development targets was in most cases, no more than educated guesswork (Okigbo, 1989).

In addition, it has been established that a federal system, which stresses the autonomy of the constituent units, is responsible for generating conflicts in objectives and priorities in the national development plans. It can be recalled that the 1981-85 plan was intended to establish a solid base for the nation. This was not possible because its targets could not be realized. Thanks to shoddy and uncoordinated planning activities. It is ironically true that some projects approved for some states were either abandoned or neglected and no explanation was offered as to why these projects were abandoned midstream (Anyebe, 1995).

In this country, plans are usually undertaken in an environment of uncertainty and this must have contributed greatly to the poor performance of the 1981-85 Plan in terms of plan targets realised as shown in table 4.1 below:

Table 5.1 1981-85 Plan Targets and Actual Growth Rates

Sector	Plan Target (p.a.)	Actual
Agriculture	4.0	1.2
Manufacturing	15.0	2.5
Mining and Quarrying	2.0	8.5
Utilities	15.0	-8.0
Construction	5.0	-15.0
Communications	15.0	-5.5
Transportation	12.0	-12.0
Commerce	10.0	-5.5
Housing	8.0	-9.3
Services	2.0	4.3
Growth Rate	7.2	2.9

Source: National Planning Commission.

For the period as a whole the plan projected a 7.2% growth rate per annum but it achieved only 2.9%. Some large sectors like agriculture, utilities, and transportation performed remarkably poorly. Agriculture recorded only a 1.2% growth against projected growth rate of 4.0%; utilities declined at -8.01% per annum against a projected growth rate of 15.0%; and transportation registered -12.0% against 12.0 projected.

The plan was based on a projected oil production of 2.19 million barrels per day and a selling price of over \$40 per barrel. No sooner was the plan launched than the crude oil prices (began) to tumble from a peak of \$38.4 per barrel in 1981 to \$28 per barrel in that year so that by 1985 they were down below \$20 per barrel. In fact, by 1983; oil revenue had fallen to a half of the 1980 level. In the panic that followed, regulations were multiplied and administrative cobwebs clogged public and financial administration (Okigbo, 1989). What is evident is that the plan period was a rapidly deteriorating economy.

Self-Assessment Exercise 1

- i. State the objectives of the 1981-85 Plan
- ii. Describe one (1) problem of the Plan

3.4 Three-Year Rolling Plans (1990-93)

3.4.1 The Rolling Plan

It is generally claimed that Professor Myrdal was the first economist to advocate a rolling plan for developing countries in his book "India economic planning in its Broader Setting". It was experimented in Indian planning by the Janata administration in 1978 but was stopped in

1980 with the coming to power of the Indira administration. In a rolling plan, every year three new plans are formulated and acted upon. First there is a plan for the current year which includes the annual budget and the foreign exchange budget. Second, there is a plan for a number of years, say three, four or five. It is changed every year in keeping with the requirements of the economy. It contains targets and techniques to be followed during the plan period, along with price relationships and price policies. Third, a perspective plan for 10, 15 or 20 or even more years is presented every year in which the broader goals are stated and the outlines of future development are forecast (Jhingan, 2013:551). The essence of rolling plan is to get rid of the rigidities usually encountered in the fixed five-year plan.

The three year Rolling Plans of Babangida Administration could not be effectively implemented because the country experienced some political crisis within this period, which seriously affected the implementation of the plans. What appears like an unending transition programme dominated government activity during this period and planning almost lost relevance.

3.4.2 Problems of the Rolling Plan in Nigeria

The three year Rolling Plans of Babangida Administration could not be effectively implemented because the country experienced some political crisis within this period, which seriously affected the implementation of the plans. What appears like an unending transition programme dominated government activity during this period and planning almost lost relevance.

Self-Assessment Exercise 2

- i. What is rolling plan?
- ii. Give one (1) problem of the Rolling Plan in Nigeria

3.5 Comparison Between Plans Undertaken During Democratic Regimes and those Under Military Regime

3.5.1 Plans Under Democratic Regimes

The 1962-68 Plans, which came out in 1962, were a considerable improvement over the 1955-60 development programmes in many ways. First, all governments had uniform plan period. Second, efforts were

made to set and quantify national economic goals, and finally all governments accepted the same priorities. The plan, according to the then minister of Economic Development is a manifestation of the growing recognition of the need to work towards common ends (1962-68 plan document, pg.5). In fact, the 1962-68 plans were described as the first national plan because it involved the active participation of the central and regional governments of the Federation. The plan was so described because it was the first post-independence plan, the previous ones having been formulated and executed during the colonial era with little participation (especially during the ten-year plan of Development and welfare. It was even claimed for the 1962-68 plan that it rectified the defects in the previous plans. This participatory approach applies also to the 1981-85 Plans

3.5.2 Plans Under Military Regime

The national development plans undertaken by the military regimes were largely the responsibility of the federal government with reduced responsibility for the state governments. The plan differed from its predecessor (that is, 1962-68 plan) as it was addressed more to reconstruction than to growth. Unlike its predecessor, it was born not out of hopes generated by the euphoria of independence but out of the frustrations and fears generated by a pernicious, fratricidal civil war. It required that the policies used to see the country through three years of civil war be remobilised for peace to see the country resettle on a normal course. It required that even where the same criteria were used to select the main channels of investment, the policies would have to be different because the environment had to be radically altered to re-align it to peacetime objectives.

Self-Assessment Exercise 3

- i. Give one (1) attribute of development planning under democratic governments
- ii. Give one (1) attribute of development planning under military governments

3.6 Summary

We have attempted to discuss democratic planning, rolling plan, and corrective planning with their merits and demerits for your understanding. As students, try to master them.

3.7 References/Further Readings/Web Resources

- Anyebe, A. A. (1995). Federalism and National Development Planning in Nigeria: A Case Study of the 1981-85 Plan *unpublished Ph.D Dissertation*, Postgraduate School, Ahmadu Bello University, Zaria.
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- Okigbo, P.N.C. (1989). *National Development Planning in Nigeria.1900-1992* (Valliers Publications London N6).

3.8 Possible Answers to SAEs.

Answers to SAEs 1

- i. State the objectives of the 1981-85 Plan
- ii. Describe one (1) problem of the Plan

The objectives of the 1981-85 Plan are:

- Increase in the average income of the average citizen.
- More even distribution of income among individuals and socio-economic groups Reduction in the level of unemployment and underemployment Increase in the supply of skilled manpower.
- Reduction of dependence of the economy on a narrow range of activities
- Balanced development that is, the achievement of a balance in the development of the different sectors of the economy and the various geographical areas of the country.
- Increased participation by citizens in the ownership and management of productive enterprises
- Greater self-reliance- that is, increased dependence on local resources in seeking to achieve the various objectives of society. This also implied greater efforts to achieve optimum utilisation of Nigeria's human and material resources
- Development of technology Increased productivity and
- The production of a new national orientation conducive to greater discipline, better attitude to work and cleaner environment (guidelines for fourth national plan).

The plan was based on a projected oil production of 2.19 million barrels per day and a selling price of over \$40 per barrel. No sooner was the plan launched than the crude oil prices (began) to tumble from a peak of \$38.4 per barrel in 1981 to \$28 per barrel in that year so that by 1985 they were down below \$20 per barrel. In fact, by 1983; oil revenue had fallen to a half of the 1980 level. In the panic that followed, regulations were multiplied and administrative cobwebs clogged public and financial administration. What is evident is that the plan period was a rapidly deteriorating economy.

Answers to SAEs 2

- i. What is rolling plan?
- ii. Give one (1) problem of the Rolling Plan in Nigeria

It is generally claimed that Professor Myrdal was the first economist to advocate a rolling plan for developing countries in his book "India economic planning in its Broader Setting". It was experimented in

Indian planning by the Janata administration in 1978 but was stopped in 1980 with the coming to power of the Indira administration. In a rolling plan, every year three new plans are formulated and acted upon.

The three year Rolling Plans of Babangida Administration could not be effectively implemented because the country experienced some political crisis within this period, which seriously affected the implementation of the plans. What appears like an unending transition programme dominated government activity during this period and planning almost lost relevance.

Answers to SAEs 3

- i. Give one (1) attribute of development planning under democratic governments
- ii. Give one (1) attribute of development planning under military governments

The Plans under democratic governments were participatory in nature. In fact, the 1962-68 Plans and the 1981-85 Plans were described as national plans because they involved the active participation of the central and regional governments of the Federation.

The national development plans undertaken by the military regimes were largely the responsibility of the federal government with reduced responsibility for the state governments.

Unit 4 Nigeria's Experience - Problems

Unit Structure

- 4.1 Introduction
- 4.2 Learning Outcomes
- 4.3 Problems
 - 4.3.1 Shortage of Executive Capacity
 - 4.3.2 Inadequacy of Plan Integration
- 4.4 Problems Contd - Conflicts in Planning Objectives & Plan Indiscipline
 - 4.4.1 Conflicts in Planning Objectives
 - 4.4.2 Plan Indiscipline
- 4.5 Problems Contd. - Advisory Role of Planning Machinery
 - 4.5.1 Advisory Role of National Economic Council
 - 4.5.2 Advisory Role of Joint Planning Board
- 4.6 Summary
- 4.7 References/Further Readings/Web Resources
- 4.8 Possible Answers to Self-Assessment Exercise(s)

4.1 Introduction

In spite of the apparent faultless process and machinery for development planning in the country, the performances of the plan have not been very satisfactory, due to problems which the planning agencies have had to contend with. These problems range from shortage of executive capacity to conflicts in planning objectives, plan indiscipline, and the advisory role of planning machinery.

4.2 Learning Outcomes

By the end of this unit, you will be able to:

- discuss shortage of executive capacity.
- analyse conflicts in planning objectives.
- explain the advisory role of planning machinery.

4.3 Problems - Shortage of Executive Capacity

4.3.1 Shortage of Executive Capacity

The shortage of executive capacity in the area of project formulation and preparation in some federal ministries and corporations and even more so at the state level can affect the integration of national plans. As earlier indicated, except the former National Planning Office (NPO) which had

a cadre of specially trained Planning Officers, very few ministries and agencies at both the federal and state levels had such an institution to undertake planning functions on a permanent basis. Planning duties therefore, had to be undertaken by administrative officers who were given ad-hoc training prior to the commencement of plan preparation. What usually emerged from this arrangement was the production of planners who are amateurs in planning activities. In fact, many of the State ministries and their agencies were unable to evaluate the guidelines issued by the former National Planning Office to know the implications for their states, and so the question of drawing up comprehensive documents encompassing details of local needs did not arise. Consequently, most of the projects submitted to the Office by many of these State ministries and their agencies for inclusion in the plan reached there most of the time as mere ideas lacking the necessary preliminary appraisals to establish not only their feasibility but also their scope and estimated costs. Thus, a considerable number of ideas admitted into the plan as 'projects' were not properly studied, designed and costed and as a result, their full implications were unknown at the time of their admission.

4.3.2 Inadequacy of Plan Integration

The inadequacy of plan integration can also be traced to the limitations in the technology of data collection and processing. The abortive attempts at population censuses since the country's independence, the atrophy of several branches of economic data collection and even more so of the organization of the Federal Office of Statistics all point in the direction of a weakening of the data base of Nigerian planning. Consequently, the preparatory work that should lead to a sound plan was often perfunctory. The procedure for formulating development targets was in most cases, no more than educated guesswork.

Self-Assessment Exercise 1

- i. Explain one (1) challenge of executive capacity.
- ii. Explain (1) problem of lack of reliable data

4.4 Problems Contd - Conflicts in Planning Objectives & Plan Indiscipline

4.4.1 Conflicts in Planning Objectives

The machinery for plan formulation is deliberately geared towards minimization of conflicts. The preparation guidelines which passes through all the stages of planning process is designed to ensure full

agreements on what are desirable goals for a plan period. As such, conflicts ought to be minimized at the macro-economic level and to some extent at the micro-operational level. Also, conflicts in objectives as between states and with the federal government are supposed to be minimal once the guidelines are jointly prepared and passed through all the planning stages. This should ensure a harmonization of the programmes of the federal and state governments.

In practice, however, there seems to be conflicts in plan objectives due to:

- The existence of separate state plan documents apart from the national document which is conducive to distortion of objectives and indeed, the distortion of the national plan itself;
- The deliberate deviation from the plan to process and implement non-plan projects, for example, lottery, amusement park et cetera during the 1981-1985 plan which in themselves are tailored to no known objectives except, perhaps objectionable ones; and
- The existence of communication and credibility gaps between the states and the centre with the attendant misunderstanding of objectives.

The resultant reactions to such situations naturally generate either conflicts or disruptions of activities especially in planning milieu with such a diverse and almost competing interests (Ayo, 1988).

For example, it was known that projects which bore no relation with the policy objectives underlying the plan and which did not reflect the established priorities in the plan document featured in the plans of most states during the 1981-1985-plan period. In the course of execution, projects such as colour-television, laundry, lottery, amusement park, furniture factory et-cetera which were not in any way strategic to the economy and which could be left to the private sector featured prominently in the programmes of most states while investment in industry and agriculture were given less priority. In fact, it was stated that the former National Planning Office had unofficial knowledge of a number of projects undertaken by some state governments which were not only outside the plan document but quite wide of their sectoral priorities. The official reports submitted by the Office to the appropriate authorities complaining about these manifestations were often lost amidst the bureaucratic web of indecision.

4.4.2 Plan Indiscipline

Plan indiscipline constitutes a major bane of Nigeria's planning efforts. A development plan is not supposed to be a rigid blueprint to be followed that reasonable changes cannot be made especially to take care

of unforeseen contingencies. In other words a plan is not supposed to be conceived as a law akin to that of the Medes and Persians, but rather as a flexible instrument. However, a situation where many executing agencies frequently introduce new projects which compete for resources with the approved projects the plan is likely to be thrown out of focus. This has the effect of distorting the plan and indeed the national priorities. Unfortunately, the former National Planning Office had no more power to enforce discipline than the sanctions of a gentleman's agreement, especially in areas of regional prerogatives. However, a plan is as good as the discipline that sustains it.

Self-Assessment Exercise 2

- i. Explain one (1) conflict in objectives confronting planning in Nigeria
- ii. Explain one (1) indiscipline observed in planning in Nigeria

4.5 Problems Contd.-Advisory Role of Planning Machinery

4.5.1 Advisory Role of National Economic Council

One question that readily arises is why is it that the National Development Council of India (NDC) has been able to achieve a measure of effective coordination of India's National Plan while its Nigerian counterpart, the National Economic Council (NEC) has failed, in spite of the fact that both bodies have been consultative in nature. In India, even though the NDC is a consultative body, its conclusions on any planning matter are as good as government decisions because it has the prime minister as chairman and all the chief ministers as members. Therefore, the Council derives its authority and pre-eminence from its membership rather than from the formal powers assigned to it. The inclusion of the chief ministers and their approval of the schemes of the council gives a kind of sanctions of the states to schemes included in the plan (and remember that same party has been in power at the centre as well as in almost all the States). However, in Nigeria the situation is different. The National Economic Council is chaired by the Vice-President (the number two man). This gives an impression that the Council is merely an advisory body lacking in authority to enforce its decisions. In fact, this point is complemented by Okigbo (1989) who says:

Its (the Council's) role was advisory as its resolutions were not binding on the President though they might have strong moral force. Its inherent weakness (was) that although the President and Vice-President constitute a team, the moral force of the resolution of the Council would have been stronger if the Council were presided over by the President himself

The Council has so far shown that it has no teeth, and serves merely as a forum for exchange of views or the states to ventilate their grouses against its policies.

Also, the Indian Constitution assigns the power of planning to the central government and establishes institutions enabling cooperative participation (of the states) in the planning process, the Nigerian Constitution on the other hand, places the states in a much stronger position in matters relating to development planning by having assigned to them both concurrent and residual functions. This arrangement makes the actual role of the central government that of leadership and the coordination of national plans. However, NEC, being strictly, an orthodox federal institution which lacks any constitutional status, cannot impose its decisions on the various cabinets - state as well as federal.

Apart from the National Economic Council, there are quite a number of inter-governmental institutions at both ministerial and official levels with specific responsibilities for coordination of policies. Examples of such institutions include: the National Planning Commission, the Joint Planning Board, Conference of Ministers/Commissioners for Economic Planning and federal and state executing ministries. Most of these agencies are not really equipped to handle planning matters adequately.

For example, the Joint Planning Board which is supposed to be a technical advisory body and should examine issues on their merits and advise objectively has failed to perform this role. Many of the state representatives tend to merely advocate those points of view favoured by their respective governments. The screening of state's projects (which is supposed to be based on viability and on how the projects relate to national objectives and priorities) often turns the board into a quarreling arena. The 'quarrel' is usually between the state officials interested in pushing through their programmes unimpeded and their counterparts (federal and other states officials) interested in relating individual state's planning proposals to national objectives and priorities. As the Board does not have the final word in the matter of admitting a project into the plan when a state government is committed to his proposal, the state concerned could appeal against the ruling of the Board and still get the rejected project approved at the higher planning institutional level. The situation described here is even considerably better, according to Ayo (1988), than it was in the Joint Planning Committee (the fore-runner of JPB) during the First Republic when the representatives of the regional governments on that body usually viewed each other with intense suspicion and were often unwilling to compromise. However, there is still much to be done to ensure a national outlook in that forum.

Self-Assessment Exercise 3

- i. Explain the advisory role of National Economic Council
- ii. Describe the advisory role of Joint Planning Board

4.5.2 Advisory Role of Joint Planning Board

One deficiency of the Joint Planning Board is that very little initiative tends to be forthcoming from the state officials who constitute a majority of its membership. This is because the state officials on the Board are permanent secretaries. Generalist administrators as most of them are, they are not often as able to handle certain technical planning questions as are their federal counterparts on the Board. Thus the technical planning issues examined by the Board are virtually only those proposed by the secretariat and modifications to proposals originated by the secretariat are usually insignificant.

This deficiency of the Board must have caused the 1974 Udoji Public Service Review Commission Report to recommend that it would be profitable if the (Board) was restructured in such a way that professional planners are in majority. In this way all technical planning problems could be discussed and solved by it. The Federal Military Government merely noted this recommendation.

4.6 Summary

There advisory roles of the planning machinery were discussed. You are expected to go over them again and again.

4.7 References/Further Readings/Web Resources

Ayo, J. E. (1988). *Development Planning in Nigeria* (Ibadan: University Press Limited) Baldwin, R. and Meier, G. (1957): (New York; Wiley). *Economic Development*.

Okigbo, P.N.C. (1989). *National Development Planning in Nigeria.1900-1992* (Valliers Publications London N6).

4.8 Possible Answers to SAEs.

Answers to SAEs 1

- i. Explain one (1) challenge of executive capacity.
- ii. Explain (1) problem of lack of reliable data

Many of the State ministries and their agencies were unable to evaluate the guidelines issued by the former National Planning Office to know the implications for their states, and so the question of drawing up comprehensive documents encompassing details of local needs did not arise. Consequently, most of the projects submitted to the Office by many of these State ministries and their agencies for inclusion in the plan reached there most of the time as mere ideas lacking the necessary preliminary appraisals to establish not only their feasibility but also their scope and estimated costs. Thus, a considerable number of ideas admitted into the plan as 'projects' were not properly studied, designed and costed and as a result, their full implications were unknown at the time of their admission.

The inadequacy of plan integration can also be traced to the limitations in the technology of data collection and processing. The abortive attempts at population censuses since the country's independence, the atrophy of several branches of economic data collection and even more so of the organization of the Federal Office of Statistics all point in the direction of a weakening of the data base of Nigerian planning. Consequently, the preparatory work that should lead to a sound plan was often perfunctory. The procedure for formulating development targets was in most cases, no more than educated guesswork.

Answers to SAEs 2

- i. Explain one (1) conflict in objectives confronting planning in Nigeria
- ii. Explain one (1) indiscipline observed in planning in Nigeria

The existence of separate state plan documents apart from the national document which is conducive to distortion of objectives and indeed, the distortion of the national plan itself;

A situation where many executing agencies frequently introduce new projects which compete for resources with the approved projects the plan is likely to be thrown out of focus. This has the effect of distorting the plan and indeed the national priorities. Unfortunately, the former National Planning Office had no more power to enforce discipline than the sanctions of a gentleman's agreement, especially in areas of regional prerogatives. However, a plan is as good as the discipline that sustains it.

Answers to SAEs 3

- i. Explain the advisory role of National Economic Council
- ii. Describe the advisory role of Joint Planning Board

The role of the National Economic Council was advisory as its resolutions were not binding on the President though they might have strong moral force. Its inherent weakness (was) that although the President and Vice-President constitute a team, the moral force of the resolution of the Council would have been stronger if the Council were presided over by the President himself. The Council has so far shown that it has no teeth, and serves merely as a forum for exchange of views or the states to ventilate their grouses against its policies.

One deficiency of the Joint Planning Board is that very little initiative tends to be forthcoming from the state officials who constitute a majority of its membership. This is because the state officials on the Board are permanent secretaries. Generalist administrators as most of them are, they are not often as able to handle certain technical planning questions as are their federal counterparts on the Board. Thus the technical planning issues examined by the Board are virtually only those proposed by the secretariat and modifications to proposals originated by the secretariat are usually insignificant.

Unit 5 Prospects Of Planning In Nigeria

Unit Structure

- 5.1 Introduction
- 5.2 Learning Outcomes
- 5.3 Role of National Planning Commission
 - 5.3.1 Training of Personnel
 - 5.3.2 Secondment of Personnel
- 5.4 Role of Bureau of Statistics
 - 5.4.1 Adoption of Modern Techniques of Data Collection
 - 5.4.2 Provision of Reliable Data
- 5.5 Collaboration Among All Levels of Government
 - 5.5.1 Avoidance of All Controlled Changes in Approved Programmes
 - 5.5.2 Monitoring of Implementation of Programmes and Projects
- 5.6 Summary
- 5.7 References/Further Readings/Web Resources
- 5.8 Possible Answers to Self-Assessment Exercise(s)

5.1 Introduction

Despite all the problems highlighted above, there are still prospects for using the planning process to achieve Nigeria's development objectives. As it is well known, except perhaps the National Planning Commission which can be said to have some trained planning officers, very few ministries and agencies at both federal and state levels have officers with relevant training to undertake planning functions on a permanent basis.

5.2 Learning Outcomes

By the end of this unit, you will be able to:

- explain planning in a mixed economy.
- analyse development planning
- evaluate similarities between the two types of planning

5.3 Role of National Planning Commission

5.3.1 Training of Personnel

In order to remedy the situation of inadequate executive capacity, efforts should be made possibly in conjunction with the World Bank to expand and strengthen the National Planning Commission in order to provide specialised training for officers in the ministries and planning

agencies at the federal and state levels. This will facilitate the phasing out of the present arrangement whereby administrative officers are given ad-hoc training to undertake planning functions in some federal and state ministries.

5.3.2 Secondment of Personnel

In the interim, the National Planning Commission could second its personnel to the executing ministries and agencies. In this manner, the information that comes to it for planning purposes will come on a format appropriate for its use and will conform to the requirements of the Commission. If the NPC collaborates with the executive agencies through their own personnel in formulating the plans of these agencies, there will be a greater chance that these plans will find a place in the national plan as prepared subject only to overall considerations of consistency and viability.

Self-Assessment Exercise 1

- i. Explain how the role of National Planning Commission in training.
- ii. Explain the role National Planning Commission in secondment of personnel

5.4 Role of Bureau of Statistics

5.4.1 Adoption of Modern Techniques of Data Collection

The Federal Office of Statistics which has been transformed into a Bureau of Statistics should offer adequate room for expansion and modernisation. The transformation of the office is expected to involve the adoption of modern techniques of data collection, processing, storage, and retrieval. The reorganisation should also ensure the installation of modern computers as part of the necessary inputs towards the establishment and operation of a data bank.

5.4.2 Provision of Reliable Data

Although we have moved a long way from the days of 'planning without facts', the basic problem of securing adequate, reliable and up-to-date data is still very much present. A possible solution to the problem posed by inadequate database lies in better coordination of statistical agencies.

Self-Assessment Exercise 2

- i. How do we transform the National Bureau of Statistics to provide room for expansion and modernisation?
- ii. How do we remedy the issue of inadequate data?

5.5 Collaboration Among All Levels of Government

5.5.1 Avoidance of All Controlled Changes in Approved Programmes

While a plan is not supposed to be so rigid that reasonable changes cannot be made to meet unforeseen contingencies, conscious efforts should be made by all agencies to avoid indiscriminate or uncontrolled changes in the programmes approved for them, otherwise the plan may be seriously distorted and thrown out of focus. Where a federal agency finds it absolutely compelling to introduce a new project for implementation during the plan period, it should promptly inform the NPC about such a project, provide full justification and seek formal approval for its inclusion in the plan. The NPC should arrange to submit the project to the National Economic Council for consideration. No new project should be admitted into the plan until necessary approval is communicated to the relevant agency by the NPC. A state government Agency wishing to introduce a new project should as well seek approval from the state ministry of economic planning which should, after necessary clearance, forward the details to the National Planning Commission. As in the case of federal projects, the Commission should take steps to place the project before the National Economic Council for consideration. Such a project should not be admitted into the state plan until the decision of the National Economic Council is communicated to the state in writing.

5.5.2 Monitoring of Implementation of Programmes and Projects

Each ministry, department or parastatal is responsible for the execution of the projects of its plan. It is also responsible for monitoring the implementation of such projects and for supplying detailed information to the National Planning Commission which is in turn responsible for producing progress reports on the plan. In order to facilitate plan implementation effort, it is suggested that each federal ministry and parastatal should set up a programme implementation and monitoring committee consisting of heads of departments or division of the agency. The National Planning Commission should also be represented on each of the committees .so as to facilitate a regular flow of information on projects to the Commission. The committee should meet regularly to review progress on the implementation of projects of the ministry or parastatal and to identify any deviation or any other problems. A central plan implementation and monitoring committee should also be established in the Presidency to review progress and problems which the implementation of the projects may encounter. The state government and local government authorities should adopt the institutional

arrangements with appropriate modifications to suit their peculiar situation.

Most of the problems that have bedeviled Nigeria's development planning, for example, plan indiscipline can be traced to the weak structure of the planning machinery. Although National Planning Commission has been charged with the responsibility of planning for the nation, it has not got the authority to enforce plan discipline. The Planning Commission was removed from the Federal Ministry of Finance to the Presidency, but it was initially headed by the chief economic adviser to the President with the President as its nominal chairman. The mere physical location of the commission in the Presidency (or office of the head of government) does not necessarily provide the solution. The solution lies in the policy location of the Commission, its normal distance from the President. Being located in the Presidency implies that instructions, directives and requests from the Commission will bear the hallmark or imprimatur of the office of the national president. If, as is the case in some countries, the national chairman is the head of government himself, it confers on the Commission and on planning as a function of government a serious purpose that cannot be enjoyed by any other functionary of government.

From a formal point of view, the status of the Commission is assured because of its location in the Presidency. But the influence will derive in part from its head's mastery of the responsibilities and his ability to convey the technical problem of planning and their solutions to the members of the cabinet, in part from his political clout within the party to which he belongs and in part on the confidence that he enjoys with the head of government. If the ministers believe and perceive that he has no clout with the head of government and therefore derivately, that the head of government has no confidence in planning as a function, they will shout at him in cabinet and he will not be able to get the protection he needs, either for himself or for his Commission or his function as the nation's planner. If he is too academic in his approach to the problem of planning, he will soon alienate the less sophisticated members of the team in government. The person to be appointed to head the Commission and also serve as the executive vice-Chairman should therefore be a personal choice of the head of government, someone for whom he has deep respect because of his intellect, directness and probity, and he should as well be a person who can tread the difficult path between a mastery of the brief of his commission and a way of presenting it to ministers that does not intimidate them. The head of the commission should preferably be trained in one of the professions and/or have established practical experience in his chosen field of economics, engineering or finance, and should be a minister of cabinet rank. Goodluck and Buhari administrations partially adopted this

arrangement. Finally, the commission should be empowered to recruit and train its own staff to enable it to cope with the challenges of that office.

The National Economic Council which is the highest planning authority in the 1999 Constitution is chaired by the Vice-President of the country. This gives an impression that the Council is merely an advisory body lacking in authority to execute decisions. The view is generally held that in a country where national development planning is taken seriously, the chief executive of that country should head the highest planning body in order to give the body a kind of prestige and power to enforce its decisions. It is therefore recommended that the President should chair the National Economic Council during the subsequent plans so as to turn it into a kind of decision-making body in the spirit of cooperative federalism. This is not to say that the Federal Cabinet should abdicate its powers to the body. It is advisable also for the plan to go to the legislature for authorization to give it a political legitimacy.

Participation in the planning procedures by the local governments has been negligible mainly because this level of government lacks the personnel to plan beyond the specification of their basic needs. Really, there is a very little to be gained from carrying the planning function much further down vertically to the local government authorities until these authorities are sufficiently strengthened with personnel to undertake more serious articulation of their requirements, objectives and programmes.

Today, one visible gap existing in the institutional machinery is the lack of consultation with the private sector of the economy. The National Economic Advisory Council is moribund and does not adequately take care of the sector's interests. Although, ad-hoc meetings are arranged between the representatives of the sector and government ministries whenever there are issues of common interest to discuss, a well-structured forum for discussing planning activities on a regular basis will certainly be useful. The National Planning Commission is probably in the best position to spearhead the creation of a required forum, while representatives of the private sector could be drawn from such associations as Nigerian Association of Agriculture, the Manufacturers Association of Nigeria etcetera. This will ensure greater participation of the private sector in the planning process and it will help to obtain the sector's views on the target set for the economy as a whole and on existing policies as they affect the sector. It is hoped that in the near future, arrangements will be made for the private sector to prepare programmes of development for their various sub-sectors for inclusion in the national plan instead of the present government indicative planning for the sector. Furthermore, a new planning model (strategic

planning) has emerged and this should be adopted and introduced into the Nigerian public sector to replace the conventional approaches to planning.

Self-Assessment Exercise 3

- i. Suggest one (1) way whereby uncontrolled changes in programmes and projects can be avoided
- ii. Suggest one (1) way of monitoring the implementation of projects

5.6 Summary

This unit discusses prospects of planning in Nigeria.

5.7 References/Further Readings/Web Resources

Ayo, J. E. (1988). *Development Planning in Nigeria* (Ibadan: University Press Limited) Baldwin, R. and Meier, G. (1957): (New York; Wiley). *Economic Development*.

Okigbo, P.N.C. (1989). *National Development Planning in Nigeria.1900-1992* (Valliers Publications London N6).

5.8 Possible Answers to SAEs.

Answers to SAEs 1

- i. Explain how the role of National Planning Commission in training.
- ii. Explain the role National Planning Commission in secondment of personnel

In order to remedy the situation of inadequate executive capacity, efforts should be made possibly in conjunction with the World Bank to expand and strengthen the National Planning Commission in order to provide specialised training for officers in the ministries and planning agencies at the federal and state levels. This will facilitate the phasing out of the present arrangement whereby administrative officers are given ad-hoc training to undertake planning functions in some federal and state ministries.

In the interim, the National Planning Commission could second its personnel to the executing ministries and agencies. In this manner, the information that comes to it for planning purposes will come on a format appropriate for its use and will conform to the requirements of the Commission. If the NPC collaborates with the executive agencies through their own personnel in formulating the plans of these agencies, there will be a greater chance that these plans will find a place in the national plan as prepared subject only to overall considerations of consistency and viability.

Answers to SAEs 2

- i. How do we transform the National Bureau of Statistics to provide room for expansion and modernisation?
- ii. How do we remedy the issue of inadequate data?

The Federal Office of Statistics which has been transformed into a Bureau of Statistics should offer adequate room for expansion and modernisation. The transformation of the office is expected to involve the adoption of modern techniques of data collection, processing, storage, and retrieval. The reorganisation should also ensure the installation of modern computers as part of the necessary inputs towards the establishment and operation of a data bank.

Although we have moved a long way from the days of 'planning without facts', the basic problem of securing adequate, reliable and up-to-date data is still very much present. A possible solution to the problem posed by inadequate database lies in better coordination of statistical agencies to produce reliable and up-to-date data.

Answers to SAEs 3

- i. Suggest one (1) way whereby uncontrolled changes in programmes and projects can be avoided
- ii. Suggest one (1) way of monitoring the implementation of projects

While a plan is not supposed to be so rigid that reasonable changes cannot be made to meet unforeseen contingencies, conscious efforts should be made by all agencies to avoid indiscriminate or uncontrolled changes in the programmes approved for them, otherwise the plan may be seriously distorted and thrown out of focus. Where a federal agency finds it absolutely compelling to introduce a new project for implementation during the plan period, it should promptly inform the NPC about such a project, provide full justification and seek formal approval for its inclusion in the plan.

The National Planning Commission should be represented on each of the committees .so as to facilitate a regular flow of information on projects to the Commission. The committee should meet regularly to review progress on the implementation of projects of the ministry or parastatal and to identify any deviation or any other problems. A central plan implementation and monitoring committee should also be established in the Presidency to review progress and problems which the implementation of the projects may encounter. The state government and local government authorities should adopt the institutional arrangements with appropriate modifications to suit their peculiar situation.

MODULE 4

- Unit 1 Evolution Of Public Service
- Unit 2 Public Service Reforms
- Unit 3 Public Service Reforms Contd – Institutional Arrangement For Reform Implementation
- Unit 4 Salient Reform Policies
- Unit 5 Reforms In Nigerian University System

UNIT 1 EVOLUTION OF PUBLIC SERVICE**Unit Structure**

- 1.1 Introduction
- 1.2 Learning outcomes
- 1.3 Meaning of Public Service
 - 1.3.1 Definition of Public Service
 - 1.3.2 Definition of Civil Service
- 1.4 Evolution
 - 1.4.1 Evolution
 - 1.4.2 Landmark Events in the Evolution
- 1.5 Growth and Challenges
 - 1.5.1 Growth and Expansion
 - 1.5.2 Challenges
- 1.6 Summary
- 1.7 References/Further Readings/Web Resources
- 1.8 Possible Answers to Self-Assessment Exercise(s)

1.1 Introduction

You must have been wondering what public service means. Public service could be seen as synonymous with the entire machinery of government for implementing policies and programmes, and delivering services to serve the needs of citizens.

1.2 Learning Outcomes

By the end of this unit, you will be able to:

- explain the concept of public service.
- analyse the operational features of public service in Nigeria.
- evaluate the challenges brought about by its expansion.

1.3 Meaning of Public Service

1.3.1 Definition of Public Service

Public service could be seen as synonymous with the entire machinery of government for implementing policies and programmes, and delivering services to serve the needs of citizens. To that extent, it is the entire state apparatus encompassing the executive, the legislature and the judiciary, the armed forces, the police and other security agencies, service providers owned by government and established by acts of parliament as well as enterprises in which government owns controlling interest.

This perspective enables us to put within public Service every conceivable part of the public sector. This then means that political appointees and elected officials are public servants. In most countries across the globe, the head of government is also the head of public service. In Nigeria, the head of Public Service is the President as contained in the 1999 Constitution (as amended).

It is imperative that we keep reminding ourselves of the Public Service we had in the past, what we have today and what we expect it to be tomorrow, especially, as the increase in urbanisation, and sophistication of citizens leveraged by the new and fast evolving ICTs and social media as well as public expectations of public service as regards accountability and quality service delivery have reached an all-time high. The successful implementation of any public policies and programmes depends largely on the extent to which the capacity of public bureaucracy is enlarged and developed. The capacity development is invariably attained via the machinery of administrative reform, a term that could be conceived as a deliberate or purposeful effort made with a view to correcting some identified malfunctions in an existing administrative system to make the system more effective, efficient, responsive and responsible.

1.3.2 Definition of Civil Service

There is the Civil Service which is an indispensable sub-division of the executive arm of government as enshrined in the 1999 Constitution (as amended). The Service is structurally an independent, non-political

machinery for implementing public policies and programmes, but devoid of the politics of its political masters. At the federal level it is headed by the Head of the Civil Service of the Federation.

Self-Assessment Exercise 1

- i. Define public service
- ii. Define civil service

1.4 Evolution

1.4.1 Evolution

Public service in Nigeria began since the amalgamation of the Protectorate of Northern Nigeria and the Colony and Protectorate of Southern Nigeria. This period also marked the beginning of the process of dismantling the colonial civil service in Nigeria, which hitherto, as in all other British West African Colonies then (Ghana, Sierra Leone, and Gambia) was composed of two broad classes: the senior service, covering all posts reserved mostly, for the Europeans and the junior service, embracing all posts to which Africans, were appointed (Abdulsalami, 1990).

In 1948, a process was started which led to the creation of a constitution that gave Nigerians a bigger say in running their affairs both at the legislative and executive levels. Also, in that year, the Governor, Sir, John S. McPherson set up the Foot Commission, which made the following recommendations:

- i. That except where suitable Nigerian candidates were already available for promotion from within the service all vacancies in the Senior service should be advertised;
- ii. That no non-Nigerian be recruited when a suitably qualified Nigerian was available;
- iii. That there should be no discrimination regarding promotion or in any other way against non-Nigerians.
- iv. That the material available in the junior service should be reviewed annually with a view to selecting promising young officers for special training and accelerated promotion.

At the time when the Foot Commission was set up, the number of Nigerians in the Senior Service sector of the Colonial Service was insignificant (9 Nigerians out of a total of about 700 officers). By the end of 1951, four years after setting up the Foot Commission, the number of Nigerians in the Administrative Service rose to about 50.

1.4.2 Landmark Events in the Evolution

Specific landmark events in the evolution also started with the Lyttleton Constitution of 1954 which was a response to the independence movement, and forces of regionalism and ethnicity. By this time, the need for the establishment of regional governments with regional civil services was recognised and accepted. During the Constitutional Conference in August 1953, the 1952 Constitution was used as a working document. After a robust deliberation with the Colonial Secretary presiding, the Nigerian leaders were advised to adopt the British Public Service System which had stood the test of time. The Colonial Secretary went further to explain that:

The principles of the British System, which had stood the test of time, were that the Civil Service was recruited by a body completely independent of ministers and had its own machinery for promotions, which except at the highest level, were not even submitted to Ministers for formal approval. Even when approval was sought Ministers were, by tradition, guided by the advice of senior members of the Service.

Finally, there was no question of the dismissal of the holders of offices in the Civil Service, at any level, in the consequence of a change of Government. In short, the British tradition was that the appointment and dismissal, and, with few exceptions, the promotions of civil servants, was outside the competence of Government. History showed that no other system worked satisfactorily. It would be disastrous to have a civil service under the control of the Executive and for the appointments to change according to the turn of the political wheel would lead to instability. In some countries such a system had proved nearly fatal (Fika, 2014).

Not only did our founding fathers accept the advice but also formally committed themselves to upholding the principles on behalf of their respective political parties.

Throughout the colonial era, the control of the public service was vested in the Governor, even though the newly promulgated McPherson Constitution provided in sections 167 - 169 for the establishment of a Public Service Commission, it was just an advisory body to the Governor. Gorsuch Report of 1954 recommended the division of the service into four broad classes corresponding to the general educational standards at that time. These were the sub-clerical and manipulative, clerical and technical, executive and higher technical and the administrative and professional classes. According to Gorsuch, the Public Service Commission (which was actually more of a civil service

commission) had its origin in the theory inherent in the British System of Administration that the Public Service should be free from political interference; in exchange for this freedom, the individual public servant is bound to serve the government of the day with equal and unvarying loyalty whatever its political complexion or constitution may be.

The Public Service Commission is in effect a body which has as its sole responsibility of ensuring that appointment to the service, promotion within the service and disciplinary control in respect of efficiency or misconduct are dealt with on a continuing basis and on standard of detached impartiality and fairness, uninfluenced by political changes unencumbered by political pressure (Abdulsalami, 1990). The Federal Public Service became fully autonomous and independent on October 1, 1960 with Alhaji Sule Katagum as its Chairman. Police Commission and Service Commission were also established at the federal level.

Self-Assessment Exercise 2

- i. Explain the evolution of civil service in Nigeria.
- ii. Name one (1) landmark event in the evolution.

1.5 Growth and Challenges

1.5.1 Growth and Expansion

The size of the Federal Civil Service, for example, grew from less than 30,000 at independence in 1960 to 45,154 in 1970, leaping to 98,877 in 1974 and to 213,802 in 1988, and peaking in 1990 to 273,392; and in the mid-1998 the Civil Service was about 200,000 strong (Otobo, 2002:298). The contraction in the Civil Service is traceable largely, to the mass dismissals or purges of the civil servants under Murtala Regime in 1975/76. This happened a year after the Public Service had received commendations from Udoji Public Service Commission, especially for thoroughly dedicating itself to the service of the nation in a manner that ensured continuity during the Civil War (1967-1970). Being a vital national institution, public service must be systematically organised to enhance the effective execution of policies and programmes of government.

1.5.2 Challenges

The phenomenal growth in the size and responsibilities of the Nigerian Public Service and in particular, the realities of the social, economic and political situation within which it operates have made the institution become embroiled in many serious problems such as red-tape (which

allows for certainty but it is usually slow in moving; work may be standardised, but at the expense of innovation), rigidity, corruption, nepotism, ineffectiveness and inefficiency, and incessant conflicts between cadres (Anyebe, 2001:33).

There was an undue concentration of authority at the senior executive levels in the ministries as even the simplest administrative decisions had to be approved at the top and this situation tended to sap the initiative and the drive of the personnel at the lower levels. The behaviour of civil servants entrusted with development tasks was said to have poor citizens - orientation. The bureaucrats usually showed insensitivity to the poor and their needs as the system was elitist in orientation. They were also accused of being arrogant and harassing as well as lacking the necessary skills and competence to execute development tasks. The Public Service was criticised for emphasising orientations that were other than productivity directed. Value attached to status was based on ascription rather than achievement. Outwardly, the Service was preaching merit system but in reality, it was practicing spoils system (Anyebe, 2017). Corruption was widespread and bureaucracy was used as a social security programme to solve employment problem which led to an over-bloated bureaucracy.

Self-Assessment Exercise 3

- i. Briefly explain how the Public Service in Nigeria grew and expanded
- ii. Explain one (1) challenge of the growth and expansion of Public Service in Nigeria

1.6 Summary

This unit discussed the evolution of public service in Nigeria with its phenomenal growth and expansion which were accompanied by serious challenges. The landmark events in the evolution were also discussed.

1.7 References/Further Readings/Web Resources

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Emma, C. (2008). *Trends in Political Science and Civil Service Administration*. Providence Press Ltd.

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1.8 Possible Answers to SAEs.

Answers to SAEs 1

- i. Define public service
- ii. Define civil service

Public service could be seen as synonymous with the entire machinery of government for implementing policies and programmes, and delivering services to serve the needs of citizens. To that extent, it is the entire state apparatus encompassing the executive, the legislature and the judiciary, the armed forces, the police and other security agencies, service providers owned by government and established by acts of parliament as well as enterprises in which government owns controlling interest.

There is the Civil Service which is an indispensable sub-division of the executive arm of government as enshrined in the 1999 Constitution (as amended). The Service is structurally an independent, non-political machinery for implementing public policies and programmes, but devoid of the politics of its political masters. At the federal level it is headed by the Head of the Civil Service of the Federation.

Answers to SAEs 2

- i. Explain the evolution of civil service in Nigeria.
- ii. Name one (1) landmark event in the evolution.

Public service in Nigeria began since the amalgamation of the Protectorate of Northern Nigeria and the Colony and Protectorate of Southern Nigeria. This period also marked the beginning of the process of dismantling the colonial civil service in Nigeria, which hitherto, as in all other British West African Colonies then (Ghana, Sierra Leone, and Gambia) was composed of two broad classes: the senior service, covering all posts reserved mostly, for the Europeans and the junior service, embracing all posts to which Africans, were appointed.

In 1948, a process was started which led to the creation of a constitution that gave Nigerians a bigger say in running their affairs both at the legislative and executive levels. Also, in that year, the Governor, Sir, John S. McPherson set up the Foot Commission.

Specific landmark events in the evolution also started with the Lyttleton Constitution of 1954 which was a response to the independence movement, and forces of regionalism and ethnicity. By this time, the need for the establishment of regional governments with regional civil services was recognised and accepted. During the Constitutional

Conference in August 1953, the 1952 Constitution was used as a working document. After a robust deliberation with the Colonial Secretary presiding, the Nigerian leaders were advised to adopt the British Public Service System which had stood the test of time.

Answers to SAEs 3

- i. Briefly explain how the Public Service in Nigeria grew and expanded
- ii. Explain one (1) challenge of the growth and expansion of Public Service in Nigeria

The size of the Federal Civil Service, for example, grew from less than 30,000 at independence in 1960 to 45,154 in 1970, leaping to 98,877 in 1974 and to 213,802 in 1988, and peaking in 1990 to 273,392; and in the mid-1998 the Civil Service was about 200,000 strong (Otobo, 2002:298). The contraction in the Civil Service is traceable largely, to the mass dismissals or purges of the civil servants under Murtala Regime in 1975/76. This happened a year after the Public Service had received commendations from Udoji Public Service Commission, especially for thoroughly dedicating itself to the service of the nation in a manner that ensured continuity during the Civil War (1967-1970).

There was an undue concentration of authority at the senior executive levels in the ministries as even the simplest administrative decisions had to be approved at the top and this situation tended to sap the initiative and the drive of the personnel at the lower levels.

Unit 2 Public Service Reforms

Unit Structure

- 2.1 Introduction
- 2.2 Learning Outcomes
- 2.3 Udoji Public Service Reforms of 1974
 - 2.3.1 Udoji Public Service Reforms of 1974
 - 2.3.2 Achievements of the Udoji Public Service Reforms of 1974
- 2.4. Dotun Philips Reforms of 1988
 - 2.4.1 1988 Public Service Reforms
 - 2.4.2 Criticisms
- 2.5 Ayida Panel of 1994
 - 2.5.1 Ayida Panel of 1994
 - 2.5.2 Criticisms
- 2.6 Summary
- 2.7 References/Further Readings/Web Resources
- 2.8 Possible Answers to Self-Assessment Exercise(s)

2.1 Introduction

These challenges posed for the Public Service have made it a subject of many inquiries by government, all in an attempt to improve and to reposition it. Such inquiries include Harragin Commission (1945), Foot Commission (1948), Gorsuch Commission (1954), Mbanefo Commission (1959), Morgan Commission (1963), and Elwood Commission (1966). Others include Fulton Commission (1968), Adebo Salaries/ Wages Commission (1971), Udoji Commission (1974), Onasode Commission (1984), Philips Commission (1988), Ayida Commission (1994) and Oronsaye Commission (2011).

2.2 Learning Outcomes

By the end of this unit, you will be able to:

- what is public service reform?
- analyse udoji public service reforms of 1974.
- what was the main concern of the udoji public service reforms of 1974?

2.3 Udoji Public Service Reforms of 1974

2.3.1 Udoji Public Service Reforms of 1974

The Udoji Commission of 1974 had the objective of reforming the Civil Service for optimal utilisation of manpower for efficiency and effectiveness in service delivery. In terms of internal structure, the Civil Service, not until 1988, did not differ fundamentally from that left behind by the British Colonial Administration in Nigeria. Thus, as the Udoji Public Service Review Commission found out in 1974 that the Nigerian Civil Service was patterned on the British model and remained basically a class and closed system. According to the Commission Report each class was further divided into many cadres.

The career structure was closed because it had no adequate provision for the admission of outsiders (no matter how qualified and experienced the persons might be) into the higher grades of the hierarchy. Such a career and closed system does not provide enough incentives for changes, modernisation or the achievement of excellence and can lead to inbreeding and obsolescence. Obsolescence affects not only the structure but also organisation and management.

In its Report, the Udoji Commission made far reaching recommendations for making the Civil Service a result-oriented system. It recommended the introduction of such management techniques as Management by Objective (MBO), Project Management and Programme and Performance Budgeting. The Political Bureau (1987), however noted that these recommendations of the Commission were not accepted by government and therefore, not implemented.

The phenomenal growth in the size and responsibilities of the civil service had produced such a diffusion of power that the task of central direction and coordination became extremely difficult. The Office of the Secretary to the Government of the Federation, which was formally responsible for the coordination of all activities of ministries and departments of government and for ensuring the efficiency of the same, Udoji (1974) noted was not adequately equipped to perform the role of either coordination or overseeing the efficiency of government machinery. This situation led to problems such as red-tape, rigidity, conservatism and inefficiency. The Commission noted this problem but no concrete action was taken. The Office of the Head of the Civil Service of the Federation was however, reintroduced in 1999 to coordinate the activities of the various ministries.

The Nigerian Civil Service was divided into two broad segments, namely the administrative and professional cadres. The permanent secretary headed the former at the apex, below whom were the executive, the clerical and the sub-clerical officers. The latter was headed by professionals who might be engineers, doctors, and agricultural officers etc who reported to the political heads of their ministries through the generalist administrative officers. Below them were the technologists, technicians and those engaged in manual operations.

In view of the superior status, greater opportunity for advance, and other privileges enjoyed by the administrative cadre, they became objects of envy, complaints and resentment by other cadres, particularly the professionals. The relationship between administrative cadre and others in the Nigerian Civil Service before 1974 was close to that in the Indian Civil Service as depicted by Arora (Arora, 1974). The resulting grudges and grievances as expressed by the professionals in the Nigerian Civil Service were well documented by Udoji Commission Report in 1974.

Self-Assessment Exercise 1

- i. Explain the main concern of the Udoji Public Service Reforms of 1974
- ii. Describe one (1) achievement of the Udoji Public Service Reforms of 1974

2.3.2 Achievements of the Udoji Public Service Reforms of 1974

This generalist/specialist dichotomy was targeted by successive public service reforms in the 1970s and 1980s for eradication. The Udoji Commission tried to resolve this conflict by evolving only one hierarchical structure (the Unified Grade System) into which every cadre should fit. There were 17 distinct ranks and a range of salary was attached to each rank for purposes of salary administration. Thus a generalist and a professional could be on the same salary grade level, say GL 17 or hold the post of permanent secretary in any ministry. In practice, however, most permanent secretaries were still drawn from the generalist's cadre. Thus, even, though the conflict had lessened, it was still a phenomenon in the system.

The Udoji Commission also met a Civil Service ridden with corruption and it made the following indictment that “we live in a society in which corruption is generally believed to be, and no doubt is widespread... it is unrealistic...for Nigeria to say that government will eliminate corruption completely from its public service, but it must make it one of its prime objectives to control corruption...” (Udoji Report, 1974).

Other innovations include the replacement of the confidential reporting system by the open system of reporting, and the introduction of a new code of conduct for all public officers. A major goal of the Udoji reform was to introduce modern management style, techniques and culture of innovation into the Nigerian Civil Service. In retrospect, this goal was not really achieved but it held out an ideal, if ever fulfilled, would offer the prospect of a significant change in the Nigerian Civil Service.

2.4. Dotun Philips Reforms of 1988

Self-Assessment Exercise 2

- i. Briefly describe two (2) achievements of the Dotun Philips Reforms of 1988
- ii. Briefly explain one (1) criticism of the Reforms

2.4.1 Dotun Philips Reforms of 1988

In 1985, a study group headed by Dotun Philips was set up to look into the problems of the Public Service. Before 1988 Reforms, the Civil Service was organised strictly according to the British traditions: it was apolitical, civil servants were expected to serve every government irrespective of its political complexion, and the norms of each personality and hierarchical authority were well entrenched. The minister or commissioner was the political head of the ministry while the permanent secretary was the official head as well as the custodian of men as well as material and financial resources. In a situation where the official head of the ministry was the accounting officer rather than the political head tended to frustrate many noble projects of the government. As accounting officer, the official head often placed unnecessary bureaucratic obstacles to quick execution of projects. So the idea of the 1988 Public Service Reform was to give Public Service a new direction by introducing various criteria to reverse among others, the decline in productivity, divided loyalty, redundancy and indiscipline.

Following the recommendations of the 1988 Public Service Reforms, the Civil Service (Reorganisation) Decree No. 43 of 1988 was promulgated transferring the power of appointment, promotion, and discipline from the Federal Civil Service Commission to the ministers, thereby making the minister the accounting officer. Also, the supervisory function of the permanent secretary over the staff as well as material and financial resources of the ministry was transferred to the minister. As the chief executive and accounting officer of the ministry, he had power to make regulations for the administration of his ministry, including recruitment, dismissal, and other disciplinary control of his employees. As we all know, power corrupts and absolute power corrupts absolutely. Reinforcing this position, Laski (2014) points out in his book entitled “A

Grammar of Politics” where he warns about the dangers and also severe adverse effects of putting power of control of ministry in the hands of executive.

The position of the permanent secretary then designated director-general was politicised, as he would hold office at the pleasure of the President (or the state governor) and would retire with the government, which appointed him, unless the incoming administration chose to re-appoint him. He was to act as the deputy to the minister (commissioner), and the latter would exercise his powers in full consultation with him. In prescribing these functions for the ministers, the Task Force was evidently aware that their efficiency and output might be impaired because of too much responsibility. So it recommended that they should delegate a substantial part of their functions to the directors-general. In a situation where the director-general leaves the ministry with the minister or commissioner at the same time makes it difficult for the Civil Service to seamlessly provide stability and continuity between governments. The structural changes enunciated in these reforms were expected to do away with the established civil service system, derived from the British model characterised by class and closed career service.

The 1988 Public Service Reforms, like the Udoji Commission recommended that emphasis in the Civil Service should be on management rather than on administration. The 1988 Reforms took a tough stance on accountability by saying that the accountability of officers would not cease by virtue of their leaving office as they might be called at any time after leaving office to account for their tenure.

2.4.2 Criticisms

The criticisms that trailed the discarded 1988 reforms were enormous. On the vanguard was Chief Jerome Adebo who said that he preferred what existed before the so-called reforms to what existed after (Anyebe, 2001). Within five years of coming into effect, members of the public began to complain seriously about corruption and inefficiency in the Public Service.

2.5 Ayida Panel of 1994

2.5.1 Ayida Panel of 1994

The criticisms of the Dotun Philips Public Service Reforms of 1988, among other things led to the setting up of a panel consisting of distinguished retired public officers under the chairmanship of Mr. A.A. Ayida in 1994 by the Head of State, General Sani Abacha to review the

existing system. The findings of the Panel include politicisation of the Civil Service, especially at the top, virtually breakdown of discipline, and disregard for financial accountability and probity. By the way, the Ayida Panel of 1994 was expected to act in a review capacity to interrogate the recommendations of the 1988 Public Service Reforms as a means by which the Service could be reinvented. The recommendations of the Panel which the Government began to implement incrementally in 1997, reversed most of the changes introduced by the 1988 Reforms e.g. the dropping of the director-general title and the restoration of the old order.

2.5.2 Criticisms

In spite of all these well-meaning efforts, the Nigerian Public Service was far from being ideal. It was largely tradition-bound, somewhat ponderous and showed signs of deterioration and several undesirable characteristics, of which the following were the most prominent: over-centralisation, incessant conflicts between cadres, little emphasis on results and concrete performance, a counterproductive separation of authority from responsibility at the topmost hierarchy, dangerously low staff morale and productivity, inappropriate staff development practices (Adegoroye, 2006:41). This reinforced the widespread disillusionment within the Public Service and therefore, made another reform necessary.

In other words, this led to another reform in the Public Service which was targeted at addressing the dwindling public service values, ageing workforce, inadequate succession planning, inappropriate organisational structure, poor culture of innovation, inconsistent planning methodology, non-productive work operations and systems, absence of professional management of human resources, non-conducive working conditions, and incompetent and discouraging leadership.

Self-Assessment Exercise 3

- i. Explain one (1) significant feature of the Ayida Panel of 1994
- ii. Explain one (1) criticism of the Ayida Panel of 1994

2.6 Summary

This unit discussed the Dotun Philips Service Reforms of 1988, and Ayida Panel Reports of 1994 with their achievements and criticisms. This is to enable you to understand the reforms properly.

2.7 References/Further Readings/Web Resources

Adegoroye, G (2006). An Overview of Nigeria's Public Service Reforms, being a paper presented at the In-Country Senior Executive Seminar on Nigeria's Public Service Reform, organized by Commonwealth Association for Public Administration and Management (CAP AM) and BPSR and published by BPSR.

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2.8 Possible Answers to SAEs.

Answers to SAEs 1

- i. Explain the main concern of the Udoji Public Service Reforms of 1974
- ii. Describe one (1) achievement of the Udoji Public Service Reforms of 1974

The Udoji Commission of 1974 had the objective of reforming the Civil Service for optimal utilisation of manpower for efficiency and effectiveness in service delivery. In terms of internal structure, the Civil Service, not until 1988, did not differ fundamentally from that left behind by the British Colonial Administration in Nigeria. Thus, as the Udoji Public Service Review Commission found out in 1974 that the Nigerian Civil Service was patterned on the British model and remained basically a class and closed system. According to the Commission Report each class was further divided into many cadres.

This generalist/specialist dichotomy was targeted by successive public service reforms in the 1970s and 1980s for eradication. The Udoji Commission tried to resolve this conflict by evolving only one hierarchical structure (the Unified Grade System) into which every cadre should fit. There were 17 distinct ranks and a range of salary was attached to each rank for purposes of salary administration. Thus a generalist and a professional could be on the same salary grade level, say GL 17 or hold the post of permanent secretary in any ministry. In practice, however, most permanent secretaries were still drawn from the generalist's cadre. Thus, even, though the conflict had lessened, it was still a phenomenon in the system.

Answers to SAEs 2

- i. Briefly describe two (2) achievements of the Dotun Philips Reforms of 1988
- ii. Briefly explain one (1) criticism of the Reforms
The 1988 Public Service Reforms, like the Udoji Commission recommended that emphasis in the Civil Service should be on management rather than on administration. The 1988 Reforms took a tough stance on accountability by saying that the accountability of officers would not cease by virtue of their leaving office as they might be called at any time after leaving office to account for their tenure.

The criticisms that trailed the discarded 1988 reforms were enormous. On the vanguard was Chief Jerome Adebo who said that he preferred

what existed before the so-called reforms to what existed after. Within five years of coming into effect, members of the public began to complain seriously about corruption and inefficiency in the Public Service.

Answers to SAEs 3

- i. Explain one (1) significant feature of the Ayida Panel of 1994
- ii. Explain one (1) criticism of the Ayida Panel of 1994

The Ayida Panel of 1994 was expected to act in a review capacity to interrogate the recommendations of the 1988 Public Service Reforms as a means by which the Service could be reinvented. The recommendations of the Panel which the Government began to implement incrementally in 1997, reversed most of the changes introduced by the 1988 Reforms e.g. the dropping of the director-general title and the restoration of the old order.

In spite of all these well-meaning efforts, the Nigerian Public Service was far from being ideal. It was largely tradition-bound, somewhat ponderous and showed signs of deterioration and several undesirable characteristics, of which the following were the most prominent: over-centralisation, incessant conflicts between cadres, little emphasis on results and concrete performance, a counterproductive separation of authority from responsibility at the topmost hierarchy, dangerously low staff morale and productivity, inappropriate staff development practices.

Unit 3 Public Service Reforms Contd Institutional Arrangement For Reform Implementation

Unit Structure

- 3.1 Introduction
- 3.2 Learning Outcomes
- 3.3 Institutional Arrangement for Reform Implementation
 - 3.3.1 Institutional Arrangement for Reform Implementation
 - 3.3.2 Government's Approach to Salvaging the Battered Civil Service
- 3.4 National Economic Empowerment and Development Strategy (NEEDS)
 - 3.4.1 National Economic Empowerment and Development Strategy (NEEDS)
 - 3.4.2 Challenges
- 3.5 National Strategy for Public Service Reforms (NSPSR)
 - 3.5.1 NSPSR
 - 3.5.2 BPSR
- 3.6 Summary
- 3.7 References/Further Readings/Web Resources
- 3.8 Possible Answers to Self-Assessment Exercise(s)

3.1 Introduction

In response to the need to place the Civil Service at the centre of the various public sector reforms of government, the Head of the Civil Service of the Federation proposed to the President in September 2003, the creation of Bureau of Public Service Reform (BPSR) within his office. The President, following his re-election for another 4-year tenure, approved the creation of the Bureau, and directed that its head must be a man or woman of impeccable character and integrity, reform-minded and broad-minded (Adegoroye, 2006: 52). The BPSR and the Office of the Civil Service of the Federation (OHCSF) with the support from the DFID put in place a team of experts whose terms of reference include, putting together a national strategy to improve the performance of public service. The vision of the strategy was to guide the public service reform programme for the following three years.

3.2 Learning Outcomes

By the end of this unit, you will be able to:

- why was the bureau of public service reform created?
- analyse its functions
- assess its performance

3.3 Institutional Arrangement for Reform Implementation

3.3.1 Institutional Arrangement for Reform Implementation

In order to salvage the battered Federal Civil Service, initial reform actions were embarked upon. Retreats were organised for ministers, presidential advisers and permanent secretaries. This was followed by a two-week orientation programme for 1,900 directorate-level officers under the coordination of Professor Adebayo Adedeji. Several overseas trips were also undertaken to sensitise civil servants on public service modernisation. Following a directive from Federal Executive Council to the OHCSF in 2001 to evolve a comprehensive strategy on reforming the Civil Service, a pilot study of some ministries and agencies was undertaken with these startling findings:

- i. an aging service in which about 60% of the staff are within the age bracket of 40 years and above;
- ii. the preponderance of unskilled staff within levels 01-06 who constitute about 70% of the entire workforce;
- iii. the prevalence of ghost workers, symptomatic of the poor keeping of personnel records and payroll control systems;
- iv. stagnation at the higher levels, especially at the directorate cadre, reflective of poor succession and career planning;
- v. absence of mission and vision statements, work programmes, corporate and individual schedules of functions;
- vi. under-sourcing of key institutions;
- vii. absence of working tools;
- viii. erosion of professionalism and esprit de corps;
- ix. abandonment of training courses to sharpen skills for service, further accentuated by decay of all training institutions;
- x. ad-hoc responses to policy making devoid of vigorous long-term policy analysis, consultation and monitored control;
- xi. near-absence of an IT-enabled system of work operations;
- xii. unproductive rule-based hierarchical system which stifles individual and corporate creativity, as well as accountability; and
- xiii. a fundamentally flawed performance management system totally devoid of objectivity.

This led to the production of a Strategy Document for the Nigerian Public Service Reform Programme: Towards a Public Service that Works for the People in July 2003. It proposed refocusing and redefining the vision, mission and functions of the Public Service and of every ministry, department, and agency; delegation, devolution and decentralisation; extensive use of opportunities for privatisation and partnership with private sector and non-governmental organisations;

fight corruption and promote accountability. The core reform issues include developing the leadership of the public service, public expenditure management, human resource management, records management and ICT, improved accountability and adoption of a new civil service law and regulations (Suleiman, 2008).

Self-Assessment Exercise 1

- i. Explain how the Institutional Arrangement for Reform Implementation was undertaken
- ii. Describe one (1) function of the Bureau of Public Service Reforms

3.3.2 Government's Approach to Salvaging the Battered Civil Service

The Federal Government in 2004 formulated National Economic Empowerment and Development Strategy (NEEDS) with the agenda to undertake public service reform, economic management reform, governance and institutional strengthening, transparency, accountability and anti-corruption reforms. The BPSR was assigned to drive the public service reform (PSR) domain of NEEDS with the thrust to right-size the service, rationalise and strengthen institutions, privatise and liberalise the public sector and reduce waste and improve efficiency of government expenditure.

3.4 National Economic Empowerment and Development Strategy (NEEDS)

3.4.1 National Economic Empowerment and Development Strategy (NEEDS)

The federal government in 2004 formulated National Economic Empowerment and Development Strategy (NEEDS) with the agenda to undertake public service reform, economic management reform, governance and institutional strengthening, transparency, accountability and anti-corruption reforms. In other words, the Government in 2004 formulated NEEDS with the agenda to undertake public service reform, economic management reform, governance and institutional strengthening, transparency, accountability and anti-corruption reforms. The BPSR was assigned to drive the public service reform (PSR) domain of NEEDS with the thrust to right-size the service, rationalise and strengthen institutions, privatise and liberalise the public sector and reduce waste and improve efficiency of government expenditure.

3.4.2 Challenges

Many challenges such as limited ownership were faced in the course of implementation.

Self-Assessment Exercise 2

- i. Why was National Economic Empowerment and Development Strategy established?
- ii. Name one (1) challenge of the Reform

3.5 National Strategy for Public Service Reforms (NSPSR)

3.5.1 NSPSR

In response to the need to place the Civil Service at the centre of the various public sector reforms of government, the Head of the Civil Service of the Federation proposed to the President in September 2003, the creation of Bureau of Public Service Reform (BPSR) within his office. The President, following his re-election for another 4-year tenure, approved the creation of the Bureau, and directed that its head must be a man or woman of impeccable character and integrity, reform-minded and broad-minded (Adegoroye, 2006: 52). The BPSR and the Office of the Civil Service of the Federation (OHCSF) with the support from the DFID put in place a team of experts whose terms of reference include, putting together a national strategy to improve the performance of public service. The vision of the strategy was to guide the public service reform programme for the following three years.

In order to salvage the battered Federal Civil Service, initial reform actions were embarked upon. Retreats were organised for ministers, presidential advisers and permanent secretaries. This was followed by a two-week orientation programme for 1,900 directorate-level officers under the coordination of Professor Adebayo Adedeji. Several overseas trips were also undertaken to sensitise civil servants on public service modernisation. Following a directive from Federal Executive Council to the OHCSF in 2001 to evolve a comprehensive strategy on reforming the Civil Service, a pilot study of some ministries and agencies was undertaken with these startling findings:

- xiv. an aging service in which about 60% of the staff are within the age bracket of 40 years and above;
- xv. the preponderance of unskilled staff within levels 01-06 who constitute about 70% of the entire workforce;

- xvi. the prevalence of ghost workers, symptomatic of the poor keeping of personnel records and payroll control systems;
- xvii. stagnation at the higher levels, especially at the directorate cadre, reflective of poor succession and career planning;
- xviii. absence of mission and vision statements, work programmes, corporate and individual schedules of functions;
- xix. under-sourcing of key institutions;
- xx. absence of working tools;
- xxi. erosion of professionalism and esprit de corps;
- xxii. abandonment of training courses to sharpen skills for service, further accentuated by decay of all training institutions;
- xxiii. ad-hoc responses to policy making devoid of vigorous long-term policy analysis, consultation and monitored control;
- xxiv. near-absence of an IT-enabled system of work operations;
- xxv. unproductive rule-based hierarchical system which stifles individual and corporate creativity, as well as accountability; and
- xxvi. a fundamentally flawed performance management system totally devoid of objectivity.

This led to the production of a Strategy Document for the Nigerian Public Service Reform Programme: Towards a Public Service that Works for the People in July 2003. It proposed refocusing and redefining the vision, mission and functions of the Public Service and of every ministry, department, and agency; delegation, devolution and decentralisation; extensive use of opportunities for privatisation and partnership with private sector and non-governmental organisations; fight corruption and promote accountability. The core reform issues include developing the leadership of the public service, public expenditure management, human resource management, records management and ICT, improved accountability and adoption of a new civil service law and regulations (Suleiman, 2008).

3.5.2 Bureau of Public Service Reforms (BPSR)

The BPSR was assigned to drive the public service reform (PSR) domain of NEEDS with the thrust to right-size the service, rationalize and strengthen institutions, privatise and liberalize the public sector and reduce waste and improve efficiency of government expenditure.

By the second quarter of 2008, some achievements had been made in areas of PSR, such as right- sizing, elimination of ghost workers, monetization of fringe benefits, introduction and implementation of strategic training and re-orientation for disengaged workers, review of public service and financial regulations, introduction of consolidated salary structure and pay adjustment, institution of SERVICOM to

refocus the public service, articulation of the Nigerian Public Service ethics to promote ethics, introduction of new tenure system for federal government secretaries and directors etc.

Though BPSR has recorded some modest achievements, there were challenges. For example, in spite of a series of sensitisation workshops held, when SERVICOM Office carried out its first and second rounds of quality service compliance evaluation exercise and released the results, many agencies performed poorly with the Nigerian Police Force ranking lowest, falling into the ranking category of 'shameful', meaning that the Force scored one point or below out of 4 points (Ideogu, 2008). Other categories are 'fair' meaning 1.1 to 2 points, 'commendable'- 2.1 to 3 points, and 'praiseworthy'- 3.1 to 4 points. Other nagging issues and challenges abound such as allegation of lack of transparency in disengaging staff, limited ownership of the process by civil service, personality focus and an uncoordinated merger of some ministries. As the Steering Committee of Public Sector Reform directed, the BPSR with DFID then stipulated a review of reform strategies among its 'deliverable' for 2008 in what was termed the National Strategy for Public Service Reform (NSPSR). NSPSR was tasked to among others, develop reform leaders, institute good practices, build national coalition and ensure a value-based public service. The NSPSR has as its policy thrust, according to seven point agenda, to right-size the public sector (in a fair manner) and eliminate ghost workers, restructure and strengthen institution, restore professionalism in civil service, privatise and liberalize the sector, fight corruption and enhance economic coordination.

The main challenges and issues in public service transformation are on leadership of reform, getting the basic rights, adoption of a comprehensive approach to strategy, enhanced building implementation capacity to strategy, and appropriate coordination of implementation methodologies. The effective strategic process should be characterized by a commitment to reform by political and administrative leaders, enhanced participation by broad spectrum of public servants, stakeholders' engagement and timely information, education and communication.

BPSR, no doubt has recorded some measure of achievement but some nagging issues and challenges abound. These challenges include allegation of lack of transparency in disengaging staff, limited ownership of the process by civil service, personality focus and an uncoordinated merger of some ministries.

To address these issues and constraints identified, there is the need to improve coordination and collaboration in the service, evolve a

sustainable reform management, broaden PSR ownership and partnership, and embrace e-government which uses electronic means to stimulate and promote good governance. There is a consensus that e-government projects sometimes fail because the operators try to change too many things at once. One way to address such a problem is to cut down the scope and the ambition of the project design, and strike with the valuable design motto kiss: keep small and simple. Finally, there is the need to draw a close link between the federal public service reform and that of the state government.

Self-Assessment Exercise 3

- i. Why was the Bureau of Public Service Reform (BPSR) created?
- ii. State one (1) challenge of BPSR

3.6 Summary

We have attempted to discuss the Institutional Arrangement for Reform Implementation with particular reference to Bureau of Public Service Reforms.

3.7 References/Further Readings/Web Resources

- Adegoroye, G (2006). An Overview of Nigeria's Public Service Reforms, being a paper presented at the In-Country Senior Executive Seminar on Nigeria's Public Service Reform, organized by Commonwealth Association for Public Administration and Management (CAP AM) and BPSR and published by BPSR.
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- Suleiman, S.A. (2008). Public Service Reforms: All You Need to Know. *Special Projects Publication on BPSR in Daily Trust, August 21.*

3.8 Possible Answers to SAEs.

Answers to SAEs 1

- i. Explain how the Institutional Arrangement for Reform Implementation was undertaken
- ii. Describe one (1) function of the Bureau of Public Service Reforms

In order to salvage the battered Federal Civil Service, initial reform actions were embarked upon. Retreats were organised for ministers, presidential advisers and permanent secretaries. This was followed by a two-week orientation programme for 1,900 directorate-level officers under the coordination of Professor Adebayo Adedeji. Several overseas trips were also undertaken to sensitise civil servants on public service modernisation.

The BPSR was assigned to drive the public service reform (PSR) domain of NEEDS with the thrust to right-size the service, rationalise and strengthen institutions, privatise and liberalise the public sector and reduce waste and improve efficiency of government expenditure.

Answers to SAEs 2

- i. Why was National Economic Empowerment and Development Strategy established?
- ii. Name one (1) challenge of the Reform

The federal government in 2004 formulated National Economic Empowerment and Development Strategy (NEEDS) with the agenda to undertake public service reform, economic management reform, governance and institutional strengthening, transparency, accountability and anti-corruption reforms. In other words, the Government in 2004 formulated NEEDS with the agenda to undertake public service reform, economic management reform, governance and institutional strengthening, transparency, accountability and anti-corruption reforms. The BPSR was assigned to drive the public service reform (PSR) domain of NEEDS with the thrust to right-size the service, rationalise and strengthen institutions, privatise and liberalise the public sector and reduce waste and improve efficiency of government expenditure.

Many challenges such as limited ownership were faced in the course of implementation

Answers to SAEs 3

- i. Why was the Bureau of Public Service Reform (BPSR) created?
- ii. State one (1) challenge of BPSR

In response to the need to place the Civil Service at the centre of the various public sector reforms of government, the Head of the Civil Service of the Federation proposed to the President in September 2003, the creation of Bureau of Public Service Reform (BPSR) within his office to drive the reform in the Service.

In spite of a series of sensitisation workshops held, when SERVICOM Office carried out its first and second rounds of quality service compliance evaluation exercise and released the results, many agencies performed poorly with the Nigerian Police Force ranking lowest, falling into the ranking category of 'shameful', meaning that the Force scored one point or below out of 4 points. Other categories are 'fair' meaning 1.1 to 2 points, 'commendable'- 2.1 to 3 points, and 'praiseworthy'- 3.1 to 4 points. Other nagging issues and challenges abound such as allegation of lack of transparency in disengaging staff, limited ownership of the process by civil service, personality focus and an uncoordinated merger of some ministries.

Unit 4 Salient Reform Policies

Unit Structure

- 4.1 Introduction
- 4.2 Learning Outcomes
- 4.3 Monetisation Policy and Due Process Mechanism
 - 4.3.1 Monetisation Policy
 - 4.3.2 Due Process Mechanism
- 4.4 Restructuring of Pilot Ministries, Departments, and Agencies (MDAs) & Public Service Rules and Financial Regulations Review
 - 4.4.1 Restructuring of Pilot Ministries, Departments, and Agencies (MDAs)
 - 4.4.2 Public Service Rules and Financial Regulations Review
- 4.5 Rationalisation and Payroll Reform & Treasury Single Account (TSA) Policy
 - 4.5.1 Rationalisation and Payroll Reform
 - 4.5.2 Treasury Single Account (TSA) Policy
- 4.6 Summary
- 4.7 References/Further Readings/Web Resources
- 4.8 Possible Answers to Self-Assessment Exercise(s)

4.1 Introduction

Some of the salient reform policies which include Monetisation Policy, Due Process Mechanism, Restructuring of Pilot Ministries, Departments, and Agencies (MDAs), Public Service Rules and Financial Regulations Review, Rationalisation and Payroll Reform, and Treasury Single Account, are briefly discussed here for your understanding.

4.2 Learning Outcomes

By the end of this unit, you will be able to:

- discuss monetisation policy.
- analyse due process mechanism.
- explain rationalisation and payroll reform.

4.3 Monetisation Policy and Due Process Mechanism

4.3.1 Monetisation Policy

Monetisation policy, which was one of the key elements in the Public Service Reform of Obasanjo Administration, was intended to ascertain the true cost of spending that government officials used in maintaining

official positions. The fundamental objective of the policy was to prevent government officials from using the Public or tax-payers' money for personal gain. Prior to the implementation of the monetisation policy, public office holders and civil servants had numerous fringe benefits attached to their conditions of service and remuneration packages. Residential quarters of most civil servants and public officials were, for instance, provided, furnished and maintained by government.

Furthermore, utility bills for these quarters, including electricity, water and telephone services were paid for by government at minimal cost to the public officer. Domestic servants were also hired for them at government expense while their medical bills as well as those of their spouses and children were as well defrayed from public purse. However, with the new monetisation policy that was passed into law in 2002, the salaries, allowances and fringe benefits of all categories of federal public servants that were formally paid in kind were subsequently converted to cash by the Salary and Wage Commission (Anyebe, 2017). Under this scheme, government houses, cars, furniture etc which were for the use of career officers and other political office holders were converted into private property. The principle behind the scheme was to encourage private initiatives and facilitate creativity and motivation and most importantly, improve the quality of service delivery, promote patriotism and efficiency among public servants (Anyebe, 2017). In essence, the monetisation policy was meant to curb excesses of top public servants, save money for development purposes, cut unnecessary and unproductive spending by the political office holders and top echelon of the civil servants as well as reduce the burden of providing basic amenities for officials of government.

Self-Assessment Exercise 1

- | |
|---|
| <ul style="list-style-type: none"> i. Briefly explain Monetisation Policy ii. Explain Due Process Mechanism |
|---|

4.3.2 Due Process Mechanism

Due process as a policy of government came into being in 2001 when President Olusegun Obasanjo created the Due Process mechanism for ensuring strict compliance with openness, competition, cost accuracy rules and procedures that should guide contract award in the Nigerian public sector (Ugwuanyi et al, 2017). The main objective of the due process mechanism was to entrench accountability and transparency in the management of public resources. To give effect to the policy, Government established the Budget Monitoring and Price Intelligence

Unit (BMPIU) which was charged with the responsibility of implementing Public Procurement Reform Programme in order to ensure application of fair, competitive, transparent, value for money and standard practices for the procurement and disposal of public assets and services (Zanna, 2015).

4.4 Restructuring of Pilot Ministries, Departments, and Agencies (MDAs) & Public Service Rules and Financial Regulations Review

4.4.1 Restructuring of Pilot Ministries, Departments, and Agencies (MDAs)

The Federal Government in September, 2003 established the Bureau of Public Service Reforms with the main objective of re-organising and re-assigning all MDAs of all arms and branches at the federal level. The restructuring policy was to ensure that all MDAs were structured to have between 4 and 8 departments and 2-4 divisions per department. The need for restructuring of the departments and agencies was necessitated by the fact that the Federal Public Service had considerable number of duplicating and overlapping functions between agencies and between tiers and arms of government.

4.4.2 Public Service Rules and Financial Regulations Review

In order to tackle corruption and indiscipline that had become endemic and pervasive in the Public Service, there was, in 2007, a holistic review of the Public Service Rules and Financial Regulations. The essence of the review was to ensure accountability, probity, discipline and transparency in the Nigerian Public Service.

Self-Assessment Exercise 2

- i. Explain the main objective behind restructuring of pilot ministries, departments, and agencies
- ii. What is the essence of Public Service Rules and Financial Regulations Review?

4.5 Rationalisation and Payroll Reform & Treasury Single Account (TSA) Policy

4.5.1 Rationalisation and Payroll Reform

President Obasanjo reiterated that there was no way the government could continue to keep the size of the Public Service then without

inflicting further injury on the economy. He noted that, the government until then, was allocating nearly 80% of its resources to recurrent expenditure while only 20% was deployed to capital projects. Merit was sacrificed at the altar of favouritism. Parastatals were so mismanaged, looted, and badly ruined that they became an embarrassment to norms of efficiency, productivity, management, and probity (Onah, 2017).

The downsizing and payroll reform was necessitated by the observation that the Federal Public Service was over-bloated, large and unwieldy as many workers perform a duty that should have been done by few people. The ultimate objective of the downsizing and payroll reform was, therefore, to eliminate payroll fraud and unwholesome practice like payment of salaries to ‘ghost workers’ and eliminate redundant staff. Indeed, the reform was seen as laudable as there was need to have government work force with size, skills, culture, responsibility and accountability necessary for delivering quality public service and for performing vital government functions.

During the downsizing process, it was observed that the Federal Civil Service was rapidly ageing, mostly untrained and largely under-educated. The average age then was 42 years and over 60% were over 40 years, less than 12% of the public servants were holders of university degrees or equivalent. More than 70 % of the services were of the junior grades, 01-06, of sub-clerical and equivalent skills (El-Rufai, 2007). Down-sizing was undertaken so that the number of employees in the organisation would be reduced to a desired point based on cost saving, space utilisation and manpower efficiency. Workers were also right-sized, a process where, because of structural review and the establishment of manning levels and skills requirements of an organisation, the organisation ensures staff deployment based on right mix of skills in numbers to engender professional efficiency. Lastly, severance which entails removing staff from an organisation based on predetermined considerations, guidelines and paying them off before the normal due date of retirement was embarked upon.

Self-Assessment Exercise 3

- i. Explain the Rationalisation and Payroll Reform
- ii. Describe the Treasury Single Account

4.5.2 Treasury Single Account (TSA) Policy

The operation of Treasury Single Account was officially commenced on the 17th of September 2015. TSA policy with the cardinal objective of stifling corruption and ensuring that the government revenue was

effectively mobilised and monitored as it was expected that all revenues due to the Federal Government or any of its agencies be paid into the TSA or designated account maintained and operated in the Central Bank of Nigeria (CBN).

Until the introduction of TSA, all government agencies were permitted to generate revenue, use part of it to fund their operations and to remit the surplus to the Federation Account. During this period multi-bank accounts were operated by the MDAs in commercial banks. With this arrangement, heads of MDAs could afford to place public funds in high interest - yielding fixed deposits, invest public funds in forex speculation and engage in frivolous expenditure of public fund (Ugwuanyi et al, 2017).

TSA was introduced because of lack of accountability, transparency and fiscal discipline as induced by corrupt tendencies which had remained a major weakening factor of the Nigerian Public Service. This was to ensure that public financial management was conducted with utmost efficiency, effectiveness, transparency and accountability so that public fund from various sources could be properly and prudently collected and channeled to critical sectors of the economy to catalyse socio-economic development. In 2012, Federal Government ran a pilot scheme for the TSA using 217 MDAs to test run the scheme. The success of the pilot scheme motivated the Government to fully implement the TSA leading to the directive to banks to implement the technology platform that would help accommodate all MDAs in the TSA scheme.

Aspiring to have an effective and efficient public service, Nigeria has much to learn from countries such as Australia, Singapore, UK, USA, South Korea, and UAE that run globally acclaimed bureaucracies and the secret behind their successes is the embrace of innovation in public service delivery (Oyo-Ita, 2017). It is high time public servants became knowledgeable in innovation and entrepreneurship and should be able to translate ideas into business practice for government. Public Service needs innovation in service delivery by improving on what is working and doing away with what is not working.

4.6 Summary

This unit discussed some of the salient reform policies such as Monetisation Policy, Due Process Mechanism, Restructuring of Pilot Ministries, Departments, and Agencies (MDAs), Public Service Rules and Financial Regulations Review, Rationalisation and Payroll Reform, and Treasury Single Account.

4.7 References/Further Readings/Web Resources

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4.8 Possible Answers to SAEs.

Answers to SAEs 1

- i. Briefly explain Monetisation Policy
- ii. Explain Due Process Mechanism

Monetisation policy, which was one of the key elements in the Public Service Reform of Obasanjo Administration, was intended to ascertain the true cost of spending that government officials used in maintaining official positions. The fundamental objective of the policy was to prevent government officials from using the Public or tax-payers' money for personal gain. Prior to the implementation of the monetisation policy, public office holders and civil servants had numerous fringe benefits attached to their conditions of service and remuneration packages. Residential quarters of most civil servants and public officials were, for instance, provided, furnished and maintained by government.

Due process as a policy of government came into being in 2001 when President Olusegun Obasanjo created the Due Process mechanism for ensuring strict compliance with openness, competition, cost accuracy rules and procedures that should guide contract award in the Nigerian public sector. The main objective of the due process mechanism was to entrench accountability and transparency in the management of public resources. To give effect to the policy, Government established the Budget Monitoring and Price Intelligence Unit (BMPIU) which was charged with the responsibility of implementing Public Procurement Reform Programme in order to ensure application of fair, competitive, transparent, value for money and standard practices for the procurement and disposal of public assets and services.

Answers to SAEs 2

- i. Explain the main objective behind restructuring of pilot ministries, departments, and agencies
- ii. What is the essence of Public Service Rules and Financial Regulations Review?

The restructuring policy was to ensure that all MDAs were structured to have between 4 and 8 departments and 2-4 divisions per department. The need for restructuring of the departments and agencies was necessitated by the fact that the Federal Public Service had considerable number of duplicating and overlapping functions between agencies and between tiers and arms of government.

In order to tackle corruption and indiscipline that had become endemic and pervasive in the Public Service, there was, in 2007, a holistic review of the Public Service Rules and Financial Regulations. The essence of the review was to ensure accountability, probity, discipline and transparency in the Nigerian Public Service.

Answers to SAEs 3

- i. Explain the Rationalisation and Payroll Reform
- ii. Describe the Treasury Single Account

The downsizing and payroll reform was necessitated by the observation that the Federal Public Service was over-bloated, large and unwieldy as many workers perform a duty that should have been done by few people. The ultimate objective of the downsizing and payroll reform was, therefore, to eliminate payroll fraud and unwholesome practice like payment of salaries to 'ghost workers' and eliminate redundant staff. Indeed, the reform was seen as laudable as there was need to have government work force with size, skills, culture, responsibility and accountability necessary for delivering quality public service and for performing vital government functions. During the downsizing process, it was observed that the Federal Civil Service was rapidly ageing, mostly untrained and largely under-educated. The average age then was 42 years and over 60% were over 40 years, less than 12% of the public servants were holders of university degrees or equivalent. More than 70 % of the services were of the junior grades, 01-06, of sub-clerical and equivalent skills (El-Rufai, 2007). Down-sizing was undertaken so that the number of employees in the organisation would be reduced to a desired point based on cost saving, space utilisation and manpower efficiency. Workers were also right-sized, a process where, because of structural review and the establishment of manning levels and skills requirements of an organisation, the organisation ensures staff deployment based on right mix of skills in numbers to engender professional efficiency. Lastly, severance which entails removing staff from an organisation based on predetermined considerations, guidelines and paying them off before the normal due date of retirement was embarked upon.

TSA policy with the cardinal objective of stifling corruption and ensuring that the government revenue was effectively mobilised and monitored as it was expected that all revenues due to the Federal Government or any of its agencies be paid into the TSA or designated account maintained and operated in the Central Bank of Nigeria (CBN).

Until the introduction of TSA, all government agencies were permitted to generate revenue, use part of it to fund their operations and to remit the surplus to the Federation Account. During this period multi-bank accounts were operated by the MDAs in commercial banks. With this arrangement, heads of MDAs could afford to place public funds in high interest - yielding fixed deposits, invest public funds in forex speculation and engage in frivolous expenditure of public fund.

TSA was introduced because of lack of accountability, transparency and fiscal discipline as induced by corrupt tendencies which had remained a major weakening factor of the Nigerian Public Service. This was to ensure that public financial management was conducted with utmost efficiency, effectiveness, transparency and accountability so that public fund from various sources could be properly and prudently collected and channeled to critical sectors of the economy to catalyse socio-economic development. In 2012, Federal Government ran a pilot scheme for the TSA using 217 MDAs to test run the scheme. The success of the pilot scheme motivated the Government to fully implement the TSA leading to the directive to banks to implement the technology platform that would help accommodate all MDAs in the TSA scheme.

Unit 5 Reforms In Nigerian University System

Unit Structure

- 5.1 Introduction
- 5.2 Learning Outcomes
- 5.3 History of Higher Education in Nigeria
 - 5.3.1 Pre-Independence
 - 5.3.2 Post-Independence
- 5.4 Nigerian University, 1980-1998
 - 5.4.1 Nigerian University
 - 5.4.2 Challenges
- 5.5 Nigerian University, 1999-date
 - 5.5.1 Nigerian University
 - 5.5.2 Challenges
- 5.6 Summary
- 5.7 References/Further Readings/Web Resources
- 5.8 Possible Answers to Self-Assessment Exercise(s)

5.1 Introduction

Here, you are introduced to the history of higher education (in its modern form) in Nigeria which dates back to the setting up of Eliot Commission by the British Colonial Administration in 1943.

5.2 Learning Outcomes

By the end of this unit, you will be able to:

- briefly trace the history of higher education in Nigeria up to independence in 1960.
- explain two (2) landmark events in the Nigerian university system between 1980 and 1998
- briefly discuss two (2) challenges facing Nigerian university system

5.3 History of Higher Education in Nigeria

5.3.1 Pre-Independence

The history of higher education (in its modern form) in Nigeria dates back to the setting up of Eliot Commission by the British Colonial Administration in 1943. On the basis of the Commission's recommendation the University College, Ibadan was established in 1948 as a college of the University of London. In like manner, the University of London was in a mentoring arrangement with the other 1948

generation of English speaking African universities in Makerere in Uganda, Legon in Ghana, and Salisbury (now Harare) in Rhodesia(now Zimbabwe) . Great Britain like other colonial powers in Africa, installed a replica of its higher education in Nigeria (Obanya, 2004s). For this historical reason, the pattern of university governance (with Pro-chancellor, Chancellor, Vice-Chancellor, Rector, Provost, Dean, etc. titles originating from the hierarchy of the Church of England and handed down to Oxford and Cambridge) has remained largely an enduring one in the country's higher institutions over the years . This is also applicable to the prevailing patterns of academic organization; the disciplines taught, their grouping into departments and faculties and, to a large extent, the content of specific disciplines, although American influence has been on the increase over the years.

5.3.2 Post-Independence

In the post-independence era, the development of university education closely followed the evolution of the country from the debris of colonialism, its crisis of underdevelopment and its current transition into corporate, globalised capitalism with its attendant rupture of the general principles of the welfare state. This schema entails a disorderly oscillation between the developmentalist and the entrepreneurial path in the evolution and growth of universities (Abubakar, 2005). In the first place, universities were created to produce manpower for development in an essentially state regulated economy in which government has been an active player. The guiding principle in this project was the training of persons to acquire the requisite knowledge, leadership skill and commitment to national development, integration and liberal humanism.

Expectedly, the National Policy on Education directs the focus of Nigerian university towards achieving the following objectives:

development and inculcation of proper value-orientation for the survival of the individual and society; development of the intellectual capacities of the individuals to understand and appreciate their environments; acquisition of both physical and intellectual skills which will enable the individuals to develop into useful members of the community; and the acquisition of an objective view of national and international environments (National Policy on Education, 2002).

In direct proportion to this notion of public good, all levels of government – local, state and centre–built and funded educational institutions to actualize the objectives of university education. Consequently, in 1960, Ashby Commission recommended the

establishment of the first generation universities in the following sequence:

- The University of Nigeria, Nsukka was established in 1960 by the then Eastern Regional Government as the first Nigerian initiated university;
- The University of Ife, Ile-Ife (now Obafemi Awolowo University) though not recommended by Ashby Commission, was founded in 1961 by the then government of Western Region; and
- The Ahmadu Bello University, Zaria was founded in 1962 by the then Northern Regional Government.

These universities were established in addition to the existing two federal universities then; the University of Ibadan, Ibadan (was a University College from 1948 until the bill making it an autonomous institution was passed in December 1962) and the University of Lagos, Lagos established in 1962. In 1963 when the defunct Mid-Western Region was carved out of the then Western Region, she demanded for a university of her own. However, the Region had to wait till the end of the national crisis in 1970 before getting a university. The University of Benin was finally founded in 1972 as an offshoot of the then Mid-West Institute of Technology.

Another relevant recommendation contained in the Ashby Commission Report was that 7,500 students should be enrolled in Nigerian universities by 1970. Actually, the total enrolment in the universities in 1970/71 session was 15,272 distributed as follows: Ahmadu Bello University, 2,689; University of Nigeria 2,929; University of Ife 2,423; University of Ibadan 3,655; and University of Lagos 2,536 (Ayo, 1988). This is far more than the Ashby Commission target. Since then there has been the proliferation of universities in the country leading to a tremendous increase in student enrolment. The Third National Development Plan 1975-1980, made provision for the establishment of seven more universities to be located in states where there were none at the time. This gave birth to the second-generation universities in 1975.

Until 1971, university education was on the concurrent legislative list of the Nigerian Constitution, thus allowing the former regions of the federation to establish their own universities. Later, all the universities were taken over by the federal government or were voluntarily handed over to it by their respective states purely for reasons of financial incapacity. That was the case for the University of Nigeria, Nsukka and University of Benin, which were handed over to the federal government in 1971 and 1975 respectively. Also, the federal government took over the former regional universities in Ife and Zaria. This was the situation

until 1979 when university education was put on the concurrent list again.

Self-Assessment Exercise 1

- i. What was the recommendation of the Eliot Commission?
- ii. Name and explain one (1) reason for establishing universities in Nigeria

5.4 Nigerian University, 1980-1998

5.4.1 Nigerian University

It was projected in the 1981-85 plans that about 108,720 students would be enrolled in the university system by 1985. It was, therefore, stipulated in the plan document that:

In order to meet the increased level of demand for university places the existing universities will be expanded, seven new universities of technology and one unconventional university with emphasis on postgraduate studies will be established to cater for the needs of those who are unable to go to conventional universities (1981 – 1985 Plan Document).

All the above universities were expected to be established to cater for the projected enrolment of about 108,720 students. National policy on education also in consonance with the projection in the plan wanted the new universities established to ensure even geographical distribution as a means of ensuring national unity. Thus, the universities of technology were sited at Bauchi (in Bauchi State), Makurdi (in Benue State), Yola (in the then Gongola State), Akure (in Ondo State), Owerri (in Imo State), Abeokuta (in Ogun State), and Minna (in Niger State). The National Open University whose bill was passed by the House of Representatives on July 16, 1981, Senate on April 20, 1983 and finally signed into law on July 22, 1983 was sited at Abuja.

One thing that was economically unwise about the establishment of the universities is that, no sooner was the 1981-85 plan launched than the world oil market weakened (oil was and still the main foreign exchange earner of Nigeria). The federal government religiously went ahead to establish the seven universities of technology and the National Open University. As if this lack of economic wisdom on the part of the federal government was not enough, eight state governments took advantage of the fact that the 1979 Constitution put university education on the concurrent legislative list to establish their own universities

without adequate appraisal. Thus, we had eight state universities, many of them with satellite campuses.

During this period, a strange phenomenon also began to appear and that was the private sector investing in the establishment of universities. The most famous of these was Imo Technical University founded by one Dr. Ukaegbu. When the legality of starting a private university was challenged in the courts, the Supreme Court finally ruled in 1983 that it was perfectly legal for individuals or private concerns to establish private universities or at least that there was nothing in the Constitution and the laws of the country preventing the establishment of private universities. Within six months of this ruling of the Supreme Court, 26 private universities were either established or proposed in the country. These mushroomed private universities were established without any strict regulatory guidelines.

5.4.2 Challenges

Faced with what could best be described as an avalanche of universities, the Federal Military Government in June 1984 abolished all private universities and prohibited the establishment of new ones in the foreseeable future by Decree No. 19 of 1984. The government also merged four of the seven federal universities of technology with some conventional universities while the National Open University was stopped in order to restore some sanity to the system.

Most of the universities established during the plan period were politically inspired. This must have led the Military Government in 1984 to issue a policy statement that there was proliferation of universities without regard to the resource capacity of the country (Anyebe, 2009). Probably, as a result of this proliferation a nationwide accreditation of academic programmes (National Minimum Standards and Establishment of Institutions) Decree 16 of 1985 was put in place, amended by Decree 9 of 1993. This law was to ensure maintenance of minimum educational standards at all levels of educational system in Nigeria. The National Universities Commission (NUC) also issued minimum course outlines to ensure some degree of uniformity in academic standards, while still allowing universities some level of autonomy in curriculum development.

That university education is highly politicised in Nigeria should not come as a surprise because of upsurge in the awareness of the general populace about the importance and value of education. Thus, the popular demand for university education grew and the passionate desire of common men and women to give their children a better chance in life

gave the social demand for education its explosive quality, and made of it a political force that no democratic government could long resist. Furthermore, in giving recognition to the important contribution of education to political, economic and social changes in society, the National Policy on Education (1981) states that not only is education the greatest force that can be used to bring about redress, it is also the greatest investment that the nation can make for the quick development of its economic, political, sociological and human resources. There are therefore, all the necessary ingredients that should bring about explosion in enrolments in universities in Nigeria.

Self-Assessment Exercise 2

- i. What is the policy objective of 1981-85 Plan concerning Nigerian University System?
- ii. Name one (1) challenge faced by the System between 1980 and 1998

5.5 Nigerian University, 1999-date

5.5.1 Nigerian University

From 1999 public policy became favourable towards the establishment of private universities, unlike in the previous decades when it was hostile to their establishment. The number of universities and student enrollment, therefore, increased exponentially. This has resulted from the insatiable demand for university education in the country. The country's answer to this social demand for higher education was to increase student enrolment by opening more universities.

Let us take the enrolment figures in table 1 to illustrate the expansion in the enrolment between 1996 and 2000.

Table 1: Admission Statistics in Nigerian Universities (1996 – 2000)

Year	Number of applicants	No. of candidate admitted	Percentage of candidates admitted
1996	376,645	56,055	14.9
1997	419,809	73,381	17.6
1998	321,368	78,550	24.4
1999	593,670	64,358	10.8
2000	467,490	50,277	10.8

Source: Extracted from Annual Report of JAMB, 1996 – 2000.

For the five years examined in table 1, it is evident that the enrolment varied from year to year: 56, 055 in 1996; 73, 381 in 1997; 78, 550 in 1998; 64, 358 in 1999; and down to 50, 277 in 2000, with the highest and the lowest enrolments in 1998 and 2000 respectively. Even with this explosion in enrolment, there was no year the universities admitted up to 25% of the applicants. The high number of applicants is a demonstration of the insatiable demand for university education in the country.

The following admission statistics in table 2 demonstrate the exponential increase in student enrolment from 2002-2007

Table 2: Admission Statistics in Nigerian Universities (2002–2007)

Academic session	Application statistics	Admission statistics	Percentage of candidates admitted
2007/2008	911,653	107,370	12
2006/2007	803,472	88,524	11
2005/2006	916,371	76,984	8.4
2004/2005	841,878	122,492	15
2003/2004	1,046,950	105,157	10
2002/2003	994,380	51,845	5.2

Source: see http://www.jambng.com/app_ume.php

Table 2 reveals the exponential increase in admission into Nigerian universities between 2002 and 2007, where data were available. The highest enrolment was in 2004/2005 session why the lowest was in 2002/2003 session. Even then, there was no session the universities were able to admit up to 16% of the applicants, demonstrating again the explosive social demand for university education.

Within this period, not only have the number of tertiary institutions and enrolment figures increased exponentially but the traditional notion of such institutions as the engine-houses of state enterprise has also changed. In the context of an involving market-oriented, competitive and private-sector driven economy, corporate capitalism and globalisation, university is expected to produce high level manpower that is versatile enough to acquire competitive positions as well as generate its own employment. The state is at best, a facilitator in the new dispensation where only the fittest survives (Abubakar, 2005).

According to NUC sources there are over 200 universities including one National Open University in Nigeria as of 2022. The establishment of new universities suddenly became the most popular solution to the problem of coping with the teeming thousands who were desirous of having university education

5.5.2 Challenges

We are told not to relate the proliferation of universities in Nigeria to political expediency but to relate these developments to the genuine desire to absorb qualified candidates who are thirsty for university education. Establishing more universities may solve one aspect of the problem. There is always the tendency to think solely in terms of opening more universities without giving sufficient attention to the function and role that universities are expected to play in relation to country's needs. Coombs (1969) asserts that the number of candidates wanting to enter institutions of higher learning reflects society's demand for education; but whether what the students want to study is the same as manpower requirements for economic and social development is another matter entirely. The two may interact, yet behave quite independently.

Social demand for education has a way of growing faster than manpower requirements, leading, on some occasions, to "unemployment of the educated". In the country's attempt to cope with the growing numbers wanting university education, the country must not be stampeded into taking actions that would only help in compounding the very problems it is supposed to solve. Nigerian university system does not appear to be integrated with the economic system of the country, rather the system has developed on its own producing more of the same from the number of universities that there are. We do not seem to have the knowledge or the strategy to harness the knowledge acquired by the products of the system to promote societal needs. This is not too surprising. The needs of the society were not taken into account when fashioning the curriculum contents of the educational programmes at the university level.

The choice of courses studied by students in Nigerian universities provides interesting reading for their diversity. In Ahmadu Bello University, the sample of subjects of choice by direct entry students in 2007/2008 session shows the following profile:

Table 3: Choice of course in Ahmadu Bello University, 2007/2008

Course	No of students who chose the course
Administration	182
Agriculture	29
Arts	241
Education	544
Engineering	60
Environmental Design	30
Law	48

Medicine (MBBS)	27
Pharmaceutical Sciences	20
Science	99
Social Sciences	117
Veterinary Medicine1	

Source: Ahmadu Bello University, Zaria, 2007/2008 Matriculation List

According to table 3, education (544) tops the list of most preferred course with Arts far second (241). Are the major choices reflective of the needs of the society and or national development? The sciences are way down the ladder and that does not augur well for the scientific development of Nigeria. Courses like pharmaceutical sciences and veterinary medicine had only twenty candidates and one candidate respectively, admitted. The example of this university is not an isolated case; a detail study and analysis of the choice pattern of the Nigerian students for their university education will reveal a great deal about the trend of the thinking of the youths of this country.

Self-Assessment Exercise 3

- i. How did the government attempt to cope with the increasing demand for university education in Nigeria?
- ii. Name one (1) challenge faced by the System between 1999 to date

5.6 Summary

In this unit we discussed the development in the Nigerian University System from independence to date pointing out some challenges facing the system and how attempts were made to tackle them.

5.7 References/Further Readings/Web Resources

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5.8 Possible Answers to SAEs.

Answers to SAEs 1

- i. What was the recommendation of the Eliot Commission?
- ii. Name and explain one (1) reason for establishing universities in Nigeria

The Eliot Commission recommended the establishment of the University College, Ibadan in 1948 as a college of the University of London. In like manner, the University of London was in a mentoring arrangement with the other 1948 generation of English speaking African universities in Makerere in Uganda, Legon in Ghana, and Salisbury (now Harare) in Rhodesia (now Zimbabwe).

Universities in Nigeria were created to produce manpower for development in an essentially state regulated economy in which government has been an active player. The guiding principle in this project was the training of persons to acquire the requisite knowledge, leadership skill and commitment to national development, integration and liberal humanism.

Answers to SAEs 2

- i. What is the policy objective of 1981-85 Plan concerning Nigerian University System?
 - ii. Name one (1) challenge faced by the System between 1980 and 1998
- It was projected in the 1981-85 plans that about 108,720 students would be enrolled in the university system by 1985. It was, therefore, stipulated in the plan document that in order to meet the increased level of demand for university places the existing universities will be expanded, seven new universities of technology and one unconventional university with emphasis on postgraduate studies will be established to cater for the needs of those who are unable to go to conventional universities.

Faced with what could best be described as an avalanche of universities between 1980 and 1998 the Federal Military Government in June 1984 abolished all private universities and prohibited the establishment of new ones in the foreseeable future by Decree No. 19 of 1984. The government also merged four of the seven federal universities of technology with some conventional universities while the National Open University was stopped in order to restore some sanity to the system. Most of the universities established during the plan period were politically inspired. This must have led the Military Government in

1984 to issue a policy statement that there was proliferation of universities without regard to the resource capacity of the country.

Answers to SAEs 3

- i. How did the government attempt to cope with the increasing demand for university education in Nigeria?
- ii. Name one (1) challenge faced by the System between 1999 to date

The establishment of new universities suddenly became the most popular solution to the problem of coping with the teeming thousands who were desirous of having university education.

We are told not to relate the proliferation of universities in Nigeria to political expediency but to relate these developments to the genuine desire to absorb qualified candidates who are thirsty for university education. Establishing more universities may solve one aspect of the problem. There is always the tendency to think solely in terms of opening more universities without giving sufficient attention to the function and role that universities are expected to play in relation to country's needs. It is asserted that the number of candidates wanting to enter institutions of higher learning reflects society's demand for education; but whether what the students want to study is the same as manpower requirements for economic and social development is another matter entirely

MODULE 5

- Unit 1 Nature And Scope Of Public Enterprise
- Unit 2 Evolution Of Public Enterprise
- Unit 3 Kinds Of Public Enterprises
- Unit 4 National Policy On Public Enterprises & Structure Of Public Enterprise
- Unit 5 Performance Of Public Enterprises

UNIT 1 NATURE AND SCOPE OF PUBLIC ENTERPRISE**Unit Structure**

- 1.1 Introduction
- 1.2 Learning outcomes
- 1.3 Nature and Scope of Public Enterprise
 - 1.3.1 Nature of Public Enterprise
 - 1.3.2 Scope of Public Enterprise
- 1.4 Meaning of Public Enterprise
 - 1.4.1 Definition Public Enterprise
 - 1.4.2 Features of Public Enterprise
- 1.5 Reason for Establishing Public Enterprise
 - 1.5.1 Reason for Establishing Public Enterprise
 - 1.5.2 Reason for Establishing Public Enterprise in Nigeria
- 1.6 Summary
- 1.7 References/Further Readings/Web Resources
- 1.8 Possible Answers to Self-Assessment Exercise(s)

1.1 Introduction

This unit introduces the nature and scope of public enterprise and goes further to explore its meaning. The unit ends the discussion with reason for establishing public enterprise.

1.2 Learning Outcomes

By the end of this unit, you will be able to:

- explain the meaning of the concept of public enterprise
- analyse the scope of public enterprise.
- explain the reason for establishing public enterprise.

1.3 Nature and Scope of Public Enterprise

1.3.1 Nature of Public Enterprise

Private sector has been the dominant producer of goods and services in the industrialised societies. This pattern with more government involvement in some countries and less in others, continued into the 20th century in Western Europe. The Great Economic Depression in the 1930s, pushed government into playing more active role in economy including ownership of means of production and provision of all types of goods and services in much of the world. Public enterprise, therefore, has long been an important instrument of public intervention in the development process in most developed countries of the world.

Although the provision of these services by public enterprises was a common practice in Europe and elsewhere, in the US private companies were generally allowed to provide such services subject to strict legal restrictions. In some countries, industries such as railways, banking and insurance were nationalised for ideological reasons, while another group, such as armaments and aircraft manufacture were brought into public sector for strategic reasons.

In erstwhile communist countries most forms of production, commerce, and finance belonged to the state while many developing countries had a very large public enterprise sector.

1.3.2 Scope of Public Enterprise

Under the 1946 – 50 Labour government, a massive nationalisation programme was effected embracing coal mining, the iron and steel industry, the gas industry, railways and long – distance road transport. During the conservative administration of Prime Minister Margret Thatcher (1979-1990), however, many of these enterprises were privatised. The post-war French government undertook a similar extensive nationalisation programme that included banks, insurance companies, finance houses and manufacturing concerns. Many of these state owned companies were subsequently privatised.

The United States had few public enterprises. They include, ironically, one of the world's models for such undertakings, the Tennessee Valley Authority, established in 1930. In 1970, the US postal system, until then a department of the executive branch of the federal government, became a state owned corporation.

In a mixed economy, public enterprises exist along with private enterprises. In the developing countries as well as the erstwhile communist countries, the public sector used to control the commanding heights of the economy.

Tanzania's 400 state-owned enterprises accounted for 38% of gross fixed capital formation, and a similar level in Ethiopia (Jorgensen, 1990:62). In some countries, public enterprises controlled almost all economic activity. From the late 1960s, the public enterprise sector in Zambia constituted about 80% of all economic activity with the private sector accounting for the remaining 20% (Kaunga, 1993). The sector was structured with one enterprise, ZIMCO, a holding company, controlling the other enterprises and with the government in turn, particularly the Zambian President controlling ZIMCO. This meant the government, particularly the President, could control the overwhelming proportion of the economic activity, as well as political activity (Anyebe, 2012).

If economic success had followed, the public enterprise sector would have been lauded. However, Zambian economy declined, within the period from 1960-1990 showing an average annual growth rate of -1.9% compared to an average real increase of 2.9% for other low-income countries (Simpson, 1994:212). The external debt of public enterprises in Zambia was 55% of GDP in 1986 (World Bank, 1995:314). This is a high figure for total external debt for any nation but this was just the debt contribution of public enterprise sector.

Indonesia even gave public enterprise a protected role in its Constitution (Hughes, 1998). India saw industrialisation as the key to reducing poverty and state ownership of industry as the means of controlling the industry. The need to establish large-scale and complex bureaucracies in form of public utilities, corporations, and commissions became self-evident and inescapable.

In Nigeria, the participation of the state in enterprises development dates back to the colonial era. The tasks of providing infrastructural facilities such as railways, roads, bridges, water, electricity and port facilities fell on the colonial government due to the absence indigenous entrepreneurs with the required skills and capital as well as the inability or unwillingness of foreign trading companies to embark on these capital-intensive projects (Iheme, 1997). This involvement was expanded and consolidated by the 1946-1956 colonial welfare development plan, which was formulated when the Labour party came to power in the United Kingdom between 1946 and 1950. This trend continued even after independence. The attainment of independence in 1960 and the end

of the civil war in 1970 saw government indigenisation policies which led to a 100% ownership of all public utilities by the government. Soon after, the discovery of crude oil in commercial quantities in Nigeria, government abandoned its participation in agriculture and left the sector for farmers who dominated the scene with subsistent and crude method of farming, and concentrated on crude oil production. The major effect of this action is seen in the monolithic nature of the Nigerian economy which unfortunately, is hostile to diversification reforms.

The Nigerian government, therefore, has been an active player on the economic scene since independence. It has been investing directly in all strategic areas of economic activities, given the low capital formation capacity of the private sector. In the 1970s the reconstruction and development efforts as the aftermath of the civil war even led to an increased level of government involvement in economic activities, such that by 1987, the federal government was in no less than 1,500 enterprises spanning transport, aviation, shipping, oil, vehicle assembly and manufacturing. In 1999, it was estimated that successive governments had invested up to N800 billion in public owned enterprises (Obasanjo, 1999)

So, from within the public sector, there has been, in virtually every modern state the emergence and development of public enterprises that combine the characteristics of public administration with some key attributes of a private enterprise. These entities are usually created because of the desire to infuse more flexibility and more efficiency in the organisation of some government activities (Laleye, 2002).

But, instead of serving as an agent of national development, many of these public enterprises served only the interests of their managers and workers. In 1991, public enterprises accounted for 23% of employment in Africa and only 3% in Asia, while the poorer the country the larger the relative size of the sector (Tuner and Hulme, 1997:176). Even if it could be argued that infrastructure needed to be provided through public hands, there seemed little justification for government ownership of jute factories in Bangladesh, mines in Africa or national airlines almost everywhere.

This sector, therefore, has been facing serious challenges from privatisation movement since the mid-1970 as its theories and assumptions came under severe attack. The size and importance of the sector has since been declining. It now seems to be in some danger of disappearing altogether as countries have rapidly moved away from government production through public enterprise.

The sector, therefore, is particularly important for arguments about the scope of government activity. The debate and outcome of privatisation of public enterprise has implications for the public sector as a whole. Public enterprises pose particular management problems even compared to the rest of the public sector, most noticeably the control and accountability of government organisations aiming to make money (Hughes, 1998). Public enterprises, therefore, were the first target of those aiming to reduce the size of the public sector in the 1980s.

Even though major public enterprises still exist in western countries as well as developing countries there seems little doubt that the idea of government-owned organisations selling goods and services to the public has passed its heyday. The public enterprise sector was a large part of most Western economies, with the notable exception of the United States, but its activities formed only a minor part of political discourse now. The sector has since become a focus of political controversy, with its very existence now in question. Whether or not governments should retain enterprises and the circumstances and methods for disposing of them are certainly the main issues at present.

One of the key and quite unresolvable, political questions concerns the allowable limit of government activity. Matters of ideology about the overall role of government have become bound up with the ownership of public enterprise (Hughes, 1998). As public enterprises operate at the boundary of public and private sectors in mixed economies, arguments about them are often about the proper role of government itself.

Self-Assessment Exercise 1

- | |
|---|
| <ol style="list-style-type: none">i. Explain the nature of public enterpriseii. Explain the scope of public enterprise |
|---|

1.4 Meaning of Public Enterprise

1.4.1 Definition Public Enterprise

There is generally, no agreement among scholars with regards to the definition of public enterprise. This disagreement on definition among scholars emanates from the variations in the nature of public enterprises – their organisation, functions, and control, among countries (Ozor, 2004). Consequently, these differences make it difficult for a universal definition. The United Nations (1974:2) summarises this in its report by

saying that there does not appear to be any agreement among experts as to the precise definition of public enterprise.

Different writers have defined it in different ways.

Sosna (1983:27), asserts that:

There are many reasons why, in developed capitalist countries there is no single standard definition of public enterprises: public enterprises were established at different periods, and each epoch naturally brought forth the types of public enterprises most clearly matching its own conditions.

On the other hand, in the developing countries, the concept of public enterprises embraces several kinds of state economic establishments and, therefore, less definite. Caiden (1971:68) points out that, this is because the concept of development which they are designed to promote has evoked different images such as economic well-being, social well-being, social harmony, universal participation, cultural freedom, and other desirable objectives for mankind such that definitions largely depend on perspectives. Also, being vague and generic makes an authoritative and universally accepted definition of the concept difficult.

Despite this difficulty, attempt is made here to analyse the concept as defined by some scholars. According to the new Encyclopaedia Britannica (1974):

Public enterprises denote an organisation operating or supposed to be operating on commercial principles, wholly or partly owned and effectively controlled by a public authority; it may have as its own function, the provision of some infrastructural services, the direct manufacture of commodity, or the extension of certain forms of assistance to the enterprises in the private sector.

Public enterprises, therefore, refer to any economic or industrial organisation or institution under the auspices of the state. They are, most of the time, established to perform social service functions in addition to making profits. Financial profit making is usually not the overriding motive for their establishment (Ozor, 2004). When they do make financial profits, it is mainly incidental rather than fundamental to their establishment.

Deutsch (1954:53), however, defines public enterprises as comprising all organisations run by employees of any government in which the government has a majority of the equity holdings.

Hansen (2008) denotes public enterprise as state ownership and the operation of industrial, agricultural and commercial undertakings. Similarly, the United Nations (in Gurmet, 2010), defines public enterprise in a book entitled “Government, Industry and Privatisation” as an incorporated or large unincorporated enterprise in which public authorities hold a majority of the shares and/or can exercise control over management decision.

Irukwu (1987:9), defines public enterprises as any organisation, institution or enterprise, which is operated under the auspices of the state, either as a commercial concern or as an instrument of social welfare and services. They are generally a corporate body, ultimately responsible to the state. Gyang (1984:9), defines them as those autonomous bodies which are either fully or partially owned by government to provide goods or services which, although essential, cannot be provided by private finance.

According to Laleye (2002), a public enterprise is an organisation set up as a corporate body and as part of government apparatus for entrepreneurial or entrepreneurial-like objective. The enterprise is essentially commercial, requires greater latitude than would be typical, and would acquire at least a portion of its funding in the market-place. It is an enterprise created by law or act of parliament or a decree. The law defines its structure, functions and powers. In other words, we can define public enterprise as a state-owned enterprise created by law for the purpose of national development.

Public enterprise can also be seen as organisations which engage in the provision of essential needs for the people on behalf of government with a view to promoting society’s welfare and growth. The focus of such organisations may not be on profit but social wellbeing.

Freidman (1954:576), views public enterprise as:

An institution operating a service of an economic or social character on behalf of the government but has an independent legal entity, largely autonomous in its management, though responsible to the public through government and parliament and subject to some direction by the government, equipped on the other hand with independent and separate fund of its own and the legal and commercial attributes of a commercial enterprise.

This is a comprehensive, overarching definition, putting within public enterprise sector every conceivable feature of the sector.

From this analysis, it is obvious that the term public enterprise has defied a precise and uniform definition. However, for our purposes, let us take public enterprises to mean organisations wholly or partially owned by the state, created outside the framework of civil service to perform some entrepreneurial or entrepreneurial-like functions which the civil service is incapable of undertaking because of its bureaucratic web of indecision.

1.4.2 Features of Public Enterprise

The features of public enterprise include the fact that it is created by a statute or law; ownership by the general public; it can sue and be sued; profit is not its sole motive and its employees are not civil servants. The combination of financial and economic objectives with social and political aims makes it difficult to design appropriate performance measurement instruments. Also, accountability is a major problem in public enterprise sector because the enterprises are owned by government, and engaged in the production of goods and social services and at the same time expected to make profit. This was well explained by Laleye (2002), when he declares that:

By virtue of public enterprise's intricate relationship with government, an instrument of public policy; its primary mission is in connection with government objectives and programmes, and it is, therefore, naturally under government control. A public enterprise mostly uses or manages public resources, especially public money. This means that attention must be paid to mechanisms for enforcing accountability. The combination of financial and economic objectives with social and political aims invariably makes it difficult to devise appropriate performance measurement instrument.

That accountability as a fundamental problem can be seen from the three distinguishing characteristics of public enterprise. First, they must be owned by government. Second, they must be engaged in the production of goods and services for sale. Third, sales revenues should bear some relationship to cost.

These characteristics can lead to confusion in accountability. Public enterprises are organisations designed to be part of the public sector, but also to operate commercially. They operate commercially but have no shareholders; they are government-owned. They have their own management and boards of directors, but are also responsible to a minister. In other words, a public enterprise is often required to meet other objectives, rather than simply trying to maximise profit like a private company. This means the motivations for establishing public

enterprise are essentially different from those behind private sector organisations and this makes accountability difficult.

Adamolekun (1983), who describes Britain as the 'father' of public corporations characterises British public corporation as follows:

It is state owned.

It is created by a specific government statute which defines its relations with other government institutions;

It is not subject to company laws; only its statute applies

It has a legal personality of its own; it can sue and be sued; makes contracts, acquires and disposes of property.

It is financed differently from other government ministries and departments; it has its own revenue and can raise loans;

Its accounts are not subject to government audit; the audit is like that of a private company;

Its employees are not civil servant; they are recruited and remunerated under terms and conditions determined by the corporation; and

A board usually administers it.

To Omolayo and Arowolaju in Ojobo (2010), a public corporation is a separate legal entity created by statute, decree or edict and outside the ambit of ordinary company law. Because of its corporate status, it can enter into contract, own property, sue or be sued.

The administrative control of public corporation is vested in the board of directors. The head of government of the country appoints members of the board, or any other person so authorised by the instrument which establishes the corporation.

A corporation is supposed to be self-financing since it is an economic enterprise of some sort. It can enter into financial deals with or without the support of the government except on external loans where the government security may be required. Usually, the government provides the initial take-off capital and in many cases makes grants for financing the corporation.

Self-Assessment Exercise 2

- i. Define public enterprise
- ii. Briefly explain two (2) features of public enterprise.

1.5 Reason for Establishing Public Enterprise

1.5.1 Reason for Establishing Public Enterprise

Governments establish public enterprises for a variety of reasons. In Western Europe, governments debated how much national government should be reserved exclusively for state ownership? Until conservative government under Margret Thatcher came to power in Great Britain in 1979, the answer in the United Kingdom and elsewhere was that the government should at least own the telecommunications and postal services, electric and gas utilities, and most forms of non-road transportation (Ozor, 2004). Many politicians also believed then that the state should control certain strategic manufacturing industries such as steel and defence production. In most countries, many state-own banks were also given either monopoly or protected positions.

One other reason could be inadequate private supply of goods and service, rescuing private firms if their closure is against the public interest; improving competition; reducing social costs such as environmental externalities; even to protect national sovereignty in some way. Hood (1994:37), notes that the Japanese tobacco and salt monopolies were established to pay for the war with Russia in 1905 and that mail services were set up as government monopolies to facilitate spying on correspondence. Renault was nationalised by the French government after World War II because of wartime collaboration by its owners.

There are many other reasons; indeed so many that government ownership is the only point in common. Rees (1984:2) argues that there are four reasons for the existence of public enterprises:

To correct market failure. Here, the services are desired but will not be adequately provided by the market. To have these enterprises in public hands may be a way of retaining the cost advantage of a sole seller while preventing the resource misallocation which would result from a profit-seeking monopoly. In other words, the arguments for state ownership rest on some actual or perceived market failure. Privatisation, in turn, is a response to the failings of state ownership.

To alter the structure of pay-offs in an economy. The structure of pay-offs means altering the benefits received by particular individuals or groups. Beneficiaries could be employees, consumers or government. One way of altering pay-offs is the extensive cross-subsidisation prevalent in public enterprise pricing. Rural electricity users may receive services at uneconomic rates, while other consumers are charged more to provide that service. If rural services were provided

privately, consumers would either pay more, or the company might decide that providing the service was simply too expensive. Also, some critics argue that government ownership leads to 'feather-bedding', providing terms and conditions for employees above those which could be obtained elsewhere, including the employment of more staff than may be needed. In other words the pay-offs are being directed to the enterprise's own employees.

To facilitate centralised long-term economic planning. Centralised long-term planning is a motivation used in some countries. Government ownership of electricity and rail in France has enabled the provision of services ahead of demand as part of the planning process for the nation, especially in regard to the government's attempts to decentralise the economy. Related to this is a general development role of public enterprise, in particular the public utility sub-sector. For example, in some sparsely settled countries like Australia and Canada, utilities were established in government hands from the beginning, due to the inability of the private providers to make an economic return. This is not market failure because of natural monopoly problems, but for development ones: that is, markets were not capable of providing the necessary infrastructure. No one other than the government had the resources to carry out the development of key services. The choice was to have the government provides services or for them not to be provided to consumers at all.

To change the nature of the economy from capitalist to socialist. Private firms may supply only the more lucrative groups of customers, leaving the needy groups not provided for. Public programme may be the most efficient way to give complete coverage on a fair decent basis. So public enterprises suit soft complex and culturally important sectors. This benefit has always been among the main reasons for the inclusion of nationalisation in the programme of labour movement.

In other words, to change the economy from capitalist to socialist – has been a major factor in some countries. In the United Kingdom in the post – war period, railways, steel and coal were nationalised so that the commanding heights of the economy were in government hands. Public enterprise has been regarded as a form of 'soft' socialism, perhaps a transitional stage on the way to full socialism. If important industries are in government hands as public enterprises, this should facilitate the transition to a socialist state.

However, it was argued by some scholars that state ownership grew in the developing world for slightly different reasons; primarily that kind of ownership was perceived as necessary to promote growth. In post-

colonial countries of Asia, Africa, and Latin America, governments sought rapid growth through heavy investment in physical facilities. Another reason for government ownership often through nationalisation, was a historical resentment towards foreigners who had owned many of the large firms in these countries (Maji, 2007). For this reason, therefore, some developing countries preferred having public enterprises to having foreign ownership of important services.

In other words, in most developing countries like Nigeria where ideology has not played any significant role in shaping their economic activities, the reason for the spread of public enterprises can be found mainly in the realm of political, social, and economic considerations, but not ideological. Thinking in this direction, Sosna (1983:5) asserts that:

The emergence of a fairly extensive public sector is major regularity in the development of the new states. Although the scope and pace of the change differ from country to country, the public sector and related problems are central to their economic policies. To a certain extent, this is independent of what social forces that hold the reins of government; the reason being objective factors, which are not rooted in political and ideological motives alone, but are associated with the processes occurring in the multi-structural economic patterns of these countries and with their economic and social situations.

Implicit in the above citations of eminent scholars in the subject matter, is the fact that public enterprises were established for various reasons which do not include ideological but objective factors such as, the provision of essential services.

Thus, public enterprises are established to provide certain essential services and public wants which, if left in the private hands, these services will be beyond the reach of the average man in the society. Even when the exclusion principle can apply in the satisfaction of these services, they are considered basic necessities. Government must, therefore, step in to provide such services and subsidise their consumption: otherwise the discretionary pricing policies of private monopolies will render their consumption too exorbitant for the average citizen. These include water, electricity, formal education and medical facilities. This explains the existence of state governments' water boards and school boards, all over Nigeria which Aboyade (1980:88) refers to as semi-public goods.

One other objective for establishing public enterprises, especially in developing countries, was to stimulate and accelerate national development under conditions of chronic shortage of local capital and

structural defects in capital markets. Also, in an attempt to preserve their independence, national pride and sovereignty, these countries foreclosed market liberalisation option for economic development. It was then felt that government was the only organised agent capable of employing its machinery to induce, promote, and manage socio-economic development. Thus, in the post-independence era, government became the prime agent of economic development, providing infrastructure, and producing goods and services, often provided through the mechanism of public enterprise. Developing countries, therefore, used public enterprises to a greater extent than most Western countries.

In other words, the exigencies of national sovereignty, national independence and national pride made the countries foreclose the option of leaving their economies open to competition, given the chronic shortage of local capital and capital markets. Private ownership under this circumstance would necessarily mean foreign ownership. Furthermore, in many cases, no one from the private sector was interested in providing utility service for nation-building and for a nation to have necessary infrastructure it would need to be provided through the public sector. It was hard to develop exports without adequate port facilities, or rail links, while the cities required reliable electricity supplies and telecommunications links.

At the time of decolonisation in the 1950s and 1960s, public enterprises were considered an appropriate form of organisation because at this time public utilities in European countries were in public hands. Allied with the expectation that public enterprise could be used to advance the cause of socialism, it was, therefore, not surprising that Tanzania or Bangladesh would develop a large public enterprise sector.

Self-Assessment Exercise 3

- i. Explain two (2) reasons for establishing public enterprises
- ii. Explain two (2) reasons for establishing public enterprises in Nigeria specifically

1.5.2 Reason for Establishing Public Enterprise in Nigeria

In Nigeria, some of the specific reasons for establishing public enterprises include:

Nation-Building: Some governments could invest in areas deemed important to the economy, but avoided by the private sector mostly on grounds of inappropriate technical and managerial expertise, or very high capital threshold or low profit potential. Government could invest

in such areas or they would remain dormant. Examples include Rail Transport, Seaports, Airports, and Steel projects.

Efficiency through De-bureaucratisation:

Some services, which were earlier offered within the civil service structure, were separated from the service and constituted into independent entities in order to increase their effectiveness and efficiency. Examples include the Nigerian Railway Corporation (NRC), the Nigerian Ports Authority (NPA), water boards, and health management boards.

National Security: Governments could also set up monopolistic organisations to control some services, which are deemed too sensitive to be left to private sector organisations. The Nigerian National Petroleum Corporation (NNPC), the National Electric Power Authority (NEPA), the Security Printing and Minting Company and Defence Industries Corporation are examples.

Social Welfare: Because government exists to take care of all, it is usually felt that the provision of certain goods and services by private entrepreneurs may not be adequate to promote social justice. Government, therefore, might establish organisations in some sectors that are traditional sanctuaries of private enterprises in order to protect the interest of the public better by making the products or services available to the consumer at affordable prices. The defunct Nigerian National Supply Company and the various governments' cooperative agencies are examples.

Entrepreneurship: Since government needs money for execution of various projects, it is felt that government should engage in profitable ventures to generate revenue, including establishing businesses. Governments, therefore, establish organisations to enable them to participate in profitable sectors and so earn money for development purposes. The various government breweries, the NNPC, the Liquefied Natural Gas Projects and the Car Assembly plants are good examples in Nigeria.

Natural Monopolies: Certain goods and services have natural monopolies because one person or organisation may not be able to effectively and efficiently manage and control or run them; so it is better for government to take over such enterprises. For example water board, NEPA (now Power Holding Company of Nigeria), etc.

Provision of Infrastructure: Many infrastructural activities are needed for proper and orderly development of any nation. For nation-building, therefore, one basic requisite is to provide infrastructural facilities such as railways, roads, telecommunications, and power. In many countries, private entrepreneurs may not be interested in providing these facilities. Thus, government has to emplace these basic facilities which may ultimately encourage the rapid growth of agriculture and industries in the country.

Preventing Concentration of Economic Power: It has become a major duty of the state to remove the inequalities of income and wealth prevailing in the society as much as possible. It is felt that the economic systems should be changed in such a way as not to make it possible for the accumulation and concentration of wealth and economic power in a fewer hands. By establishing public enterprises, this objective can be achieved satisfactorily. It has been pointed out that private enterprise leads to vast inequalities in the distribution of wealth which are not desirable on social grounds and also on economic grounds to the extent that there is paradox of poverty in the midst of abundance.

Implementation of Government Policies: The government policy has an important bearing on the nature of the product to be manufactured, the management of the undertaking, pricing of products, scale of operations and personnel, etc. The private enterprises are mainly concerned with their own self-interest and may not pay due attention on the government policies effectively. On the other hand, public enterprises, are to be run in the larger interest of the nation. Therefore, they are careful in proper interpretation and effective implementation of government policies.

Stimulation of Research and Development Activities: It is the prime duty of the state to stimulate research and development (R&D) activities and to build up indigenous technologies leading to optimum self-reliance. Private entrepreneurs may consider the expenditure on R&D as a wasteful expenditure. It is through public enterprises that the government can discharge its responsibility of stimulating research and development efforts more effectively. Raw Materials Research and Development Council (RMRDC) is a good example of such public enterprises.

Employment opportunities: Many government corporations have been very useful in providing employment opportunities for citizens, thereby contributing to the socio-economic development of the country. Government participation in industrial and commercial field, therefore, is bound to increase the employment opportunities directly and it would stimulate other related activities to generate additional employment

indirectly. The employment, whether generated directly or indirectly, will increase the national dividends of the country considerably.

In sum, there has been no single consistent government aim for using public enterprise. Rather, there have been a set of diverse reasons beyond mere profit-making which is even incidental. Public enterprises have always had objectives other than to make money. Of course, a government has the power to involve itself in any part of society, which must include creating its own enterprises.

1.6 Summary

This unit discussed the evolution of public enterprises vis-à-vis its nature, and scope, as well as its meaning and reasons for their establishment.

1.7 References/Further Readings/Web Resources

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1.8 Possible Answers to SAEs.

Answers to SAEs 1

- i. Explain the nature of public enterprise
- ii. Explain the scope of public enterprise

Although the provision of these services by public enterprises was a common practice in Europe and elsewhere, in the US private companies were generally allowed to provide such services subject to strict legal restrictions. In some countries, industries such as railways, banking and insurance were nationalised for ideological reasons, while another group, such as armaments and aircraft manufacture were brought into public sector for strategic reasons.

In erstwhile communist countries most forms of production, commerce, and finance belonged to the state while many developing countries had a very large public enterprise sector.

Under the 1946 – 50 Labour government, a massive nationalisation programme was effected embracing coal mining, the iron and steel industry, the gas industry, railways and long – distance road transport. During the conservative administration of Prime Minister Margret Thatcher (1979-1990), however, many of these enterprises were privatised. The post-war French government undertook a similar extensive nationalisation programme that included banks, insurance companies, finance houses and manufacturing concerns. Many of these state owned companies were subsequently privatised.

The United States had few public enterprises. They include, ironically, one of the world's models for such undertakings, the Tennessee Valley Authority, established in 1930. In 1970, the US postal system, until then a department of the executive branch of the federal government, became a state owned corporation.

In a mixed economy, public enterprises exist along with private enterprises. In the developing countries as well as the erstwhile communist countries, the public sector used to control the commanding heights of the economy.

Answers to SAEs 2

- i. Define public enterprise
- ii. Briefly explain two (2) features of public enterprise.

Public enterprises denote an organisation operating or supposed to be operating on commercial principles, wholly or partly owned and effectively controlled by a public authority; it may have as its own function, the provision of some infrastructural services, the direct manufacture of commodity, or the extension of certain forms of assistance to the enterprises in the private sector.

Public enterprises are organisations designed to be part of the public sector, but also to operate commercially. They operate commercially but have no shareholders; they are government-owned. They have their own management and boards of directors, but are also responsible to a minister. In other words, a public enterprise is often required to meet other objectives, rather than simply trying to maximise profit like a private company. This means the motivations for establishing public enterprise are essentially different from those behind private sector organisations and this makes accountability difficult.

Answers to SAEs 3

- i. Explain two (2) reasons for establishing public enterprises
- ii. Explain two (2) reasons for establishing public enterprises in Nigeria specifically

Many politicians believe that the state should control certain strategic manufacturing industries such as steel and defence production. In most countries, many state-owned banks were also given either monopoly or protected positions. One other reason could be inadequate private supply of goods and service, rescuing private firms if their closure is against the public interest; improving competition; reducing social costs such as environmental externalities; even to protect national sovereignty in some way. Hood (1994:37), notes that the Japanese tobacco and salt monopolies were established to pay for the war with Russia in 1905 and that mail services were set up as government monopolies to facilitate spying on correspondence. Renault was nationalised by the French government after World War II because of wartime collaboration by its owners.

Nation-Building: Some governments could invest in areas deemed important to the economy, but avoided by the private sector mostly on grounds of inappropriate technical and managerial expertise, or very high capital threshold or low profit potential. Government could invest in such areas or they would remain dormant. Examples include Rail Transport, Seaports, Airports, and Steel projects.

Social Welfare: Because government exists to take care of all, it is usually felt that the provision of certain goods and services by private entrepreneurs may not be adequate to promote social justice. Government, therefore, might establish organisations in some sectors that are traditional sanctuaries of private enterprises in order to protect the interest of the public better by making the products or services available to the consumer at affordable prices. The defunct Nigerian National Supply Company and the various governments' cooperative agencies are examples.

Unit 2 Evolution Of Public Enterprise

Unit Structure

- 2.1 Introduction
- 2.2 Learning Outcomes
- 2.3 Evolution of Public Enterprises
 - 2.3.1 Contribution of World Wars I & II
 - 2.3.2 Contribution of the Socialist Revolution in Russia 1917 and the Expectations of the People of the New Nations
- 2.4 Rationale for Establishing Public Enterprises
 - 2.4.1 The Classical Theory
 - 2.4.2 The Marxist School
- 2.5 Rationale for Establishing Public Enterprises contd – The Keynesian School
 - 2.5.1 The Keynesian School
 - 2.5.2 Effects on African Countries
- 2.6 Summary
- 2.7 References/Further Readings/Web Resources
- 2.8 Possible Answers to Self-Assessment Exercise(s)

2.1 Introduction

As we all know there was practically no real public enterprise sector before the early twentieth century. For example, government in Nigeria was only intervening in economic management via departmental organisations which did not involve creating autonomous public agencies. In other words, the state would directly administer these measures through its agencies such as the Public Works Department (PWD) and the Native Authority which were responsible for the construction of roads, installation of electric generators, and provision of pipe-borne water. In the alternative, government could grant license to a private enterprise for the management of natural or national monopolies. Where public entities were involved in managing economic ventures, such entities did not enjoy financial autonomy (Laleye, 2002).

2.2 Learning Outcomes

By the end of this unit, you will be able to:

- explain the contribution of world wars i & ii to the evolution of public enterprises
- explain the contribution of the socialist revolution in russia in 1917 to the evolution of public enterprises

- explain the contribution of the climate of independence and specifically, the rising expectations of the new nations to the evolution of public enterprises

2.3 Evolution of Public Enterprises

2.3.1 Contribution of World Wars I & II

However, once the national economy had been fully consolidated, and especially after World War II, the government began to establish specialised public corporations to oversee certain sectors of the economy as well as encourage the development of others. As economy grew in size and scope, the number of public enterprises established by the state also increased, fuelled in part by what Phillips has referred to as the post-1945 ideology of development that began to spread across the colonised World (Ojobo, 2010).

Public enterprises made a very strong appearance after World War I for a variety of reasons, including managing the consequences of the War, especially the economic crisis of the 1930s. Between the two wars, political and ideological considerations prompted the establishment of public enterprises in the former colonial metro-poles. However, it must be stressed that the public enterprise sector developed rapidly mainly because of the spread of Keynesian interventionist ideas. The movement toward the establishment of public enterprises received a new impetus after World War II, for reasons related to both ideological consideration and economic efficiency. Economic nationalism and the success of the Soviet Revolution paved the way for nationalisation and strong state intervention in national economic management.

2.3.2 Contribution of the Socialist Revolution in Russia 1917 and the Expectations of the People of the New Nations

Following the Socialist Revolution in Russia in 1917 private ownership of the means of production was abolished. Private enterprise and the free market mechanism as vehicles for economic development went with the abolition. Planning and public enterprise were instituted. The results were remarkable. The state mobilised high rates of public savings and investment. Capital accumulation and national income grew at unprecedented rates. By the end of the Second World War, the Soviet Union emerged as the second big power in the world. In about four decades, from a situation of underdevelopment and backwardness, Soviet Union became a developed country. This was, thus a very successful example of planned economic development for the countries

developing later to learn and emulate. The strategy adopted by Third World countries was greatly influenced by the Soviet experience. In essence, Soviet socialism seemed to promise a path for these countries, and also an ideological battle ground during the Cold War, when assistance could be obtained by choosing one side or the other (Anyebe, 2008).

For example, when the former European colonies in Africa got their independence in the late 1950s and the 1960s, there were only a few public enterprises in the different countries. However, the climate of independence and specifically, the rising expectations of the people of the new nations left the governments with little or no options than to play a central role in all facets of life of their societies (Abdulsalami, 1998). The public enterprise sector then developed at a phenomenal pace in the immediate years after independence through the 1970s. By the early 1980s a huge public enterprise sector was firmly established in most of the countries. The weakness of the private sector, the lack of infrastructure, the low level of social and human development, and the unfavourable social, economic, and financial environment have been advanced to explain the proliferation of public enterprises in all areas of economic and social development. Other explanations include the urge to generate revenue, to limit foreign economic domination, and to provide a substitute for private initiative where it was not forthcoming.

The public enterprise sector covers a wide range of economic activities: financial institutions, produce marketing boards, and mineral resources exploration and exploitation. The number of public enterprises varies from one country to another (Laleye, 2002). In Africa two factors have tended to determine their number in each country: the ideological orientation of the government and each country's resource endowment.

When Nigeria embarked upon economic reforms programme in 1987 the number of public enterprises had risen from 50 at independence in 1960 to about 1,500. The factors responsible for this explosive increase include: the evolution of the federal administrative structure (from four units in the 1950s to twelve in 1967, nineteen in 1976, twenty-one in 1987, thirty in the 1991, and thirty-six in 1996), the oil windfall, and successive governments' commitment to making public enterprises an instrument of state economic intervention in the 1970s. Consequently, public enterprises developed in education, health, information, housing and town planning, transportation, power, communications, water and irrigation, mining, manufacturing, commerce, and finance. They attracted the majority of government capital expenditure, with more than 80% in the 1980s, and they accounted for more than one-third of the modern sector employment.

Self-Assessment Exercise 1

- i. Explain the contribution of World Wars I & II to the evolution of public enterprises
- ii. Explain the contribution of the climate of independence and specifically, the rising expectations of the people of the new nations to the evolution of public enterprises

2.4 Rationale for Establishing Public Enterprises

2.4.1 The Classical Theory

Adam Smith wrote 'The Wealth of Nations' in 1776, one of the greatest and most influential of theoretical texts, in which he argued for a greatly reduced role for government. According to him, the 'duties of the sovereign' (in other words, the role of government) are as follows:

First, the duty of protecting the society from the violence and invasion of other independent societies; second, the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an extant administration of justice; and third, the duty of erecting and maintaining certain public works and certain public institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain; because the profit could never repay the expense to any individual or small number of individuals, though it may frequently do much more than repay it to a great society (Smith, 1776:208-9).

The desirable role for government in Smith's view was to simply stay out of economic life as far as possible. The term *laissez-faire*, advocated by him and his followers means that government should abstain from interference in commerce. Smith certainly envisaged a smaller role for government than that in place at the time. Government should be simply the facilitator for the market and should step in reluctantly and only as a last resort. According to Classical Theory public enterprises could be necessary as exceptional measure taking on a one-time basis when there is market failure, arising especially from the absence of perfect competition where the 'invisible hand' cannot intervene to restore the system back to normality.

The Great Depression of the 1930s, also called the 'World Economic Crisis' badly affected many countries of the West. What happened was that the market system, especially in the industrial countries of the West ground to a halt. There was over production; stock of unsold goods piled up; factories were shut down; share markets collapsed; unemployment

soared up. All this meant a complete mismatch between production and market demand. It had been known that the free market system did not ensure smooth development of an economy based on private enterprise.

But the Great Depression made it crystal clear for everyone to see. Incidentally, one should also note that the Soviet economy, being a planned economy, remained unaffected by the Great Depression.

How was the crisis of the Great Depression handled? By state intervention. The states in the badly affected countries of the West intervened to push up market demand by undertaking public works and financing them by money creation (printing currency notes, also known as Deficit Financing). This step generated additional income and employment. Market demands for goods and services gradually picked up as a result of this policy. In the course of time, normality was restored and development resumed. This course of state intervention is also known as the 'Keynesian solution' of the economic crisis, after the name of the famous English economist, J.M. Keynes, who had provided the economic theory on which this solution was based. In the United States, this course of state intervention came to be known as the 'New Deal' (Anyebe, 2012).

A critical feature of Nigerian economy has been the permanent lack of perfect competition, which may explain government intervention.

2.4.2 The Marxist School

The Marxist school of thought, therefore, contends that in circumstances in which the prospects for profits are low, capitalists would be unwilling to invest, because of the high risks involved. In such cases public investments and subsidised goods and services become necessary as a way of socialising risks and costs. Although this view point has not significantly influenced policy in Nigeria, it has been used to explain the role of the public enterprise sector (Layele, 2002).

Self-Assessment Exercise 2

- i. Briefly explain how Classical Theory justifies the establishment of public enterprises
- ii. Briefly explain how the Marxist School justifies the establishment of public enterprises

2.5 Rationale for Establishing Public Enterprises contd – The Keynesian School

2.5.1 The Keynesian School

The experience of the Great Depression had, apart from other things, one major effect. The faith in a laissez faire state, a fence-sitting state not actively intervening in the economic life to control the functioning of the market, was shaken. Since then, state intervention in the market system wherever and whenever necessary, has become a normal feature of the capitalist countries. This is a major submission of the Keynesian doctrine which believes that it is necessary to make the state a key actor in bringing about macro-economic balance and dealing with market imperfections and failures in capitalist economies.

The Keynesian school of thought suggests that the public enterprise is a necessary instrument of public policy, as government intervention is dictated by the need to influence macro-economic indicators (increase revenues and incomes, increase consumption, lower the interest rate, increase public investment, etc.) with a view to averting crises of production and employment.

2.5.2 Effects on African Countries

This analysis opens the way to government intervention in countries where it has influenced policy making. Many scholars of this intellectual persuasion have argued that public enterprises are a necessity in African countries by virtue of the very state of underdevelopment (Aboyade, 1976). Consequently, development plans were designed to articulate deliberate government intervention through the instrumentality of public enterprises.

Self-Assessment Exercise 3

- i. Briefly explain how Keynesian School justifies the establishment of public enterprises
- ii. Explain how this School influences the establishment of public enterprises in Africa

2.6 Summary

The justification for the establishment of public enterprises as derived from various theories and the schools of thought such as the Classical theory, Keynesian school, and the Marxist school were discussed

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- World Bank (1995). *Bureaucrats in Business: The Economics and Politics of Government Ownership* (New York: Oxford University Press).

2.8 Possible Answers to SAEs.

Answers to SAEs 1

- i. Explain the contribution of World Wars I & II to the evolution of public enterprises
- ii. Explain the contribution of the climate of independence and specifically, the rising expectations of the people of the new nations to the evolution of public enterprises

Public enterprises made a very strong appearance after World War 1 for a variety of reasons, including managing the consequences of the War, especially the economic crisis of the 1930s. Between the two wars, political and ideological considerations prompted the establishment of public enterprises in the former colonial metro-poles. However, it must be stressed that the public enterprise sector developed rapidly mainly because of the spread of Keynesian interventionist ideas. The movement toward the establishment of public enterprises received a new impetus after World War II, for reasons related to both ideological consideration and economic efficiency. Economic nationalism and the success of the Soviet Revolution paved the way for nationalisation and strong state intervention in national economic management.

Following the Socialist Revolution in Russia in 1917 private ownership of the means of production was abolished. Private enterprise and the free market mechanism as vehicles for economic development went with the abolition. Planning and public enterprise were instituted. The results were remarkable. The state mobilised high rates of public savings and investment. Capital accumulation and national income grew at unprecedented rates. By the end of the Second World War, the Soviet Union emerged as the second big power in the world. In about four decades, from a situation of underdevelopment and backwardness, Soviet Union became a developed country. This was, thus a very successful example of planned economic development for the countries developing later to learn and emulate. The strategy adopted by Third World countries was greatly influenced by the Soviet experience. In essence, Soviet socialism seemed to promise a path for these countries, and also an ideological battle ground during the Cold War, when assistance could be obtained by choosing one side or the other.

Answers to SAEs 2

- i. Briefly explain how Classical Theory justifies the establishment of public enterprises

ii. Briefly explain how the Marxist School justifies the establishment of public enterprises

Adam Smith wrote 'The Wealth of Nations' in 1776, one of the greatest and most influential of theoretical texts, in which he argued for a greatly reduced role for government. According to him, the 'duties of the sovereign' (in other words, the role of government) include first, protecting the society from the violence and invasion of other independent societies, second, the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an extant administration of justice, and third, the duty of erecting and maintaining certain public works and certain public institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain; because the profit could never repay the expense to any individual or small number of individuals, though it may frequently do much more than repay it to a great society.

The Marxist school of thought, therefore, contends that in circumstances in which the prospects for profits are low, capitalists would be unwilling to invest, because of the high risks involved. In such cases public investments and subsidised goods and services become necessary as a way of socialising risks and costs. Although this view point has not significantly influenced policy in Nigeria, it has been used to explain the role of the public enterprise sector.

Answers to SAEs 3

i. Briefly explain how Keynesian School justifies the establishment of public enterprises

ii. Explain how this School influences the establishment of public enterprises in Africa

The experience of the Great Depression had, apart from other things, one major effect. The faith in a laissez faire state, a fence-sitting state not actively intervening in the economic life to control the functioning of the market, was shaken. Since then, state intervention in the market system wherever and whenever necessary, has become a normal feature of the capitalist countries. This is a major submission of the Keynesian doctrine which believes that it is necessary to make the state a key actor in bringing about macro-economic balance and dealing with market imperfections and failures in capitalist economies. The Keynesian school of thought suggests that the public enterprise is a necessary instrument of public policy, as government intervention is dictated by the need to influence macro-economic indicators (increase revenues and

incomes, increase consumption, lower the interest rate, increase public investment, etc.) with a view to averting crises of production and employment.

This analysis opens the way to government intervention in countries where it has influenced policy making in African countries. Many scholars of this intellectual persuasion have argued that public enterprises are a necessity in African countries by virtue of the very state of underdevelopment. Consequently, development plans were designed to articulate deliberate government intervention through the instrumentality of public enterprises.

Unit 3 Kinds of Public Enterprises

Unit Structures

- 3.1 Introduction
- 3.2 Learning Outcomes
- 3.3 Categorisation Using Traditional Approach
 - 3.3.1 Government Departments and Regulating Agencies & Statutory Corporations
 - 3.3.2 State Owned Companies & Management Agencies and Joint Ventures
- 3.4 Kinds of Public Enterprises contd - Layale's Categorisation
 - 3.4.1 Public/Statutory Corporations
 - 3.4.2 State Owned Enterprises & Mixed Economy Enterprises
- 3.5 Udoji Commission Categorisation
 - 3.5.1 Public Utilities & Financial Institutions
 - 3.5.2 Regulatory Boards
- 3.6 Summary
- 3.7 References/Further Readings/Web Resources
- 3.8 Possible Answers to Self-Assessment Exercise(s)

3.1 Introduction

Public enterprises are by definition intended to be operated in public interest. This gives rise to a number of organisational and commercial issues. One problem is how to reconcile the need for close political control with the need for sufficient management autonomy. The public corporation form, used extensively in Great Britain and widely copied in other parts of the world, is created by special act of parliament that defines its powers, management structure and relationship with government bodies. As a corporation, it has its legal entity. Its capital requirements are met by the treasury, but it is supposed to meet its recurrent expenses from its normal commercial operations. Its employees are not civil servants and the top management is often appointed by the minister in charge. Another administrative form that is popular in other parts of the world is the state company which is simply an ordinary joint-stock company whose shares are owned wholly by the state.

3.2 Learning Outcomes

By the end of this unit, you will be able to:

- explain kinds of public enterprises using traditional approach categorisation

- analyse kinds of public enterprises using laeye's categorisation
- assess kinds of public enterprises using udoji commission categorisation

3.3 Categorisation Using Traditional Approach

3.3.1 Government Departments and Regulating Agencies & Statutory Corporations

These are public enterprises that are purely meant to check the activities of certain government organisations; examples are Pilgrims Welfare Board, Nigerian Customs Service, Central Bank of Nigeria (CBN), National Universities Commission (NUC), National Insurance Commission (NAICOM), Nigerian Telecommunication (NITEL), and National Insurance Corporation of Nigeria (NICON) etc.

These are bodies established and are given the power to operate on their own similar to private sector. They are more of a limited liability company. They can sue and be sued, can borrow, take loans, invest, etc. What makes them different from private sector companies is that government supports their initial capital. Examples are NIPOST, Sports Councils, etc.

3.3.2 State Owned Companies & Management Agencies and Joint Ventures

These are exclusively owned by government-federal, state or local government. Examples are Plateau Publishing Company, New Nigerian Development Company, Nigerian Ports Authority (NPA), Nigerian National Petroleum Corporation (NNPC) etc.

These are entities in which government is in partnership (government/private) in order to enhance their proper commercialisation, thereby making them profit oriented or entrepreneurial. Examples are Nigerian Railway Corporation (formally under the Indian Government, and later managed by the Chinese Government) and the defunct Nigerian Airways (formally managed by the Dutch Airline).

This traditional approach would have been adequate if the public enterprises were few, but with the proliferation of public enterprises, some public enterprises today may not fit into these classes properly.

Self-Assessment Exercise 1

- i. Using traditional approach explain Government Departments and Regulating Agencies
- ii. Using traditional approach explain Statutory Corporations

3.4 Kinds of Public Enterprises contd - Layale's Categorisation**3.4.1 Public/Statutory Corporations**

The notion of statutory corporations applies when the government assumes responsibility of management of an economic or social pursuit through a special entity that has its own legal personality and that still keeps some of the special prerogatives or privileges associated with a government organisation. These are enterprises that are established by specific statutes, which contain provisions relating to finance and personnel, among other things. Examples include Nigerian Ports Authority, Nigerian Electric Power Authority, Nigerian Railway Corporation (NRC), NNPC, NITEL, and Nigerian Deposit Insurance Corporation

3.4.2 State Owned Enterprises & Mixed Economy Enterprises

A state- owned company is a public enterprise created by the government under the provisions of ordinary company law, though it belongs entirely to government. It is registered in the registry of companies, with the government as the sole proprietor. Hence the government appoints the board of directors, as is the practice in a private company. These are companies, which operate under the same company laws that regulate the functioning of private sector enterprises, even though they are fully owned by the government. These include Nigerian National Shipping Lines, Odua Investment Company Limited, and New Nigerian Development Company Limited.

Self-Assessment Exercise 2

- i. How does Layale classify public enterprises?
- ii. Explain public/statutory corporations from Layale's point of view

3.5 Udoji Commission Categorisation

3.5.1 Public Utilities & Financial Institutions

The Public Service Review Commission under the chairmanship of Chief Jerome Udoji (1974) identified four types of public enterprises which are public utilities, financial institutions, and regulatory boards.

Public Utilities include

NRC
 Defunct Nigerian Airways
 Post And Telecommunications Department
 NEPA
 NPA
 Water Corporations
 Nigerian Television Authority (NTA)
 Housing Corporation or Authority
 Federal Radio Corporation of Nigeria (FRCN)

Financial Institutions-These include:

Central Bank of Nigeria
 Nigeria Industrial Development Bank (NIDB)
 Federal Mortgage Bank of Nigeria
 Commercial and Industrial Companies which include enterprises such as Nigerian Steel Development Authority, NNPC, Nigerian National Shipping Line (NNSL), and Nigerian National Supply Company (NNSC)

3.5.2 Regulatory Boards

Public enterprises in this category include

Electoral Commissions
 Public Service Commission
 Defunct Marketing Boards
 Nigerian Enterprises Promotion Board.

3.6 Summary

We have been discussing how public enterprises are by definition intended to be operated in public interest. This gives rise to a number of

organisational and commercial issues. However, kinds of public enterprises can be distinguished using the above categorisations.

3.7 References/Further Readings/Web Resources

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3.8 Possible Answers to SAEs.

Answers to SAEs 1

- i. Using traditional approach explain Government Departments and Regulating Agencies
- ii. Using traditional approach explain Statutory Corporations

In this traditional approach, government departments and regulating agencies are public enterprises that are purely meant to check the activities of certain government organisations; examples are Pilgrims Welfare Board, Nigerian Customs Service, Central Bank of Nigeria (CBN), National Universities Commission (NUC), National Insurance Commission (NAICOM), Nigerian Telecommunication (NITEL), and National Insurance Corporation of Nigeria (NICON) etc. These are bodies established and are given the power to operate on their own similar to private sector. They are more of a limited liability company. They can sue and be sued, can borrow, take loans, invest, etc. What makes them different from private sector companies is that government supports their initial capital. Examples are NIPOST, Sports Councils, etc.

Using the traditional approach, Statutory Corporations are exclusively owned by government-federal, state or local government. Examples are Plateau Publishing Company, New Nigerian Development Company, Nigerian Ports Authority (NPA), Nigerian National Petroleum Corporation (NNPC) etc. These are entities in which government is in partnership (government/ private) in order to enhance their proper commercialisation, thereby making them profit oriented or entrepreneurial. Examples are Nigerian Railway Corporation (formally under the Indian Government, and later managed by the Chinese Government) and the defunct Nigerian Airways (formally managed by the Dutch Airline).

Answers to SAEs 2

- i. How does Laleye classify public enterprises?
- ii. Explain public/statutory corporations from Laleye's point of view

Using Laleye's categorisation, the notion of statutory corporations applies when the government assumes responsibility of management of an economic or social pursuit through a special entity that has its own legal personality and that still keeps some of the special prerogatives or privileges associated with a government organisation. These are enterprises that are established by specific statutes, which contain provisions relating to finance and personnel, among other things. Examples include Nigerian Ports Authority, Nigerian Electric Power Authority, Nigerian Railway Corporation (NRC), NNPC, NITEL, and Nigerian Deposit Insurance Corporation

Using Laleye's categorisation, A state- owned company is a public enterprise created by the government under the provisions of ordinary company law, though it belongs entirely to government. It is registered in the registry of companies, with the government as the sole proprietor. Hence the government appoints the board of directors, as is the practice in a private company. These are companies, which operate under the same company laws that regulate the functioning of private sector enterprises, even though they are fully owned by the government. These include Nigerian National Shipping Lines, Odua Investment Company Limited, and New Nigerian Development Company Limited. Enterprises in Mixed Economy Enterprises category are those in which the government cooperates as a senior partner (i.e. with majority ownership) with private entrepreneur to establish an industrial or commercial venture. Usually, government has a dominant voice on the board of directors. Examples include the National Oil Nigeria Limited, Agip Nigeria Limited, and Unipetrol Nigeria Limited.

Answers to SAEs 3

- i. How does Udoji Commission categorise public enterprises into public utilities and financial institutions?
- ii. How does Udoji Commission categorise public enterprises into regulatory boards?

The Public Service Review Commission under the chairmanship of Chief Jerome Udoji (1974) identified four types of public enterprises which are public utilities, financial institutions, and regulatory boards.

Public Utilities include

NRC
Defunct Nigerian Airways
Post And Telecommunications Department
NEPA
NPA
Water Corporations
Nigerian Television Authority (NTA)
Housing Corporation or Authority
Federal Radio Corporation of Nigeria (FRCN)

Financial Institutions-These include:

Central Bank of Nigeria
Nigeria Industrial Development Bank (NIDB)
Federal Mortgage Bank of Nigeria
Commercial and Industrial Companies which include enterprises such as Nigerian Steel Development Authority, NNPC, Nigerian National Shipping Line (NNSL), and Nigerian National Supply Company (NNSC)

Regulatory Boards

Udoji Commission's classification of public enterprises in this category include

Electoral Commissions
Public Service Commission
Defunct Marketing Boards
Nigerian Enterprises Promotion Board.

Unit 4 National Policy on Public Enterprises & Structure of Public Enterprise

Unit Structure

- 4.1 Introduction
- 4.2 Learning Outcomes
- 4.3 National Policy on Public Enterprises
 - 4.3.1 The Philosophy
 - 4.3.2 The Second National Development Plan Articulation
- 4.4 Structure of Public Enterprise
 - 4.4.1 The Board of Directors
 - 4.4.2 The Management Board
- 4.5 Relationship Between the Board of Directors and the Management Board
 - 4.5.1 The Relationship
 - 4.5.2 Areas of Conflict
- 4.6 Summary
- 4.7 References/Further Readings/Web Resources
- 4.8 Possible Answers to Self-Assessment Exercise(s)

4.1 Introduction

We are all aware that right from the beginning, the Nigerian government has tried to articulate the philosophy guiding its involvement and the degree of that involvement in national development. In general, public enterprises in Nigeria have these two basic structures-the board of directors, and the management board.

4.2 Learning Outcomes

By the end of this unit, you will be able to:

Discuss National Policy on public enterprises in Nigeria.

Analyse the structure and management of public enterprise in Nigeria.

Explain how the structure and management of public enterprise in Nigeria promotes conflicts.

4.3 National Policy on Public Enterprises

4.3.1 The Philosophy

Right from the beginning, the Nigerian government has tried to articulate the philosophy guiding its involvement and the degree of that involvement in national development by the following declarations:

In no country in the world is economic and social development free from some form of deliberate effort to speed up the process. Governments everywhere play a vigorous role in shaping the design of national economic development. In some countries the role of government is all-pervading and directly and extensively interferes with the lives of the people. In other countries, the influence of government is limited to policy measures within which all economic and other actions take place and which provide the stimulus to such actions. ... In the free society of Nigeria this involvement should take place at all levels and through a wide variety of forms: from the provision of health services and schools to the provision of credit for agriculture and industry: from technical training to the training of businessmen and the promotion of scientific research. The basic objective of economic development in Nigeria is not merely to accelerate the rate of economic growth and the rate at which the standard of living of the population can be raised: it is also to give her an increasing measure of control over her destiny (1962-68 Plan document).

4.3.2 The Second National Development Plan Articulation

The Second National Development Plan went further to state specifically that:

statutory corporations and state owned companies have become increasingly a tool for public intervention in the development process. Their primary purpose is to stimulate and accelerate economic development under conditions of capital scarcity and structural defects in private business organisations. There are also basic considerations arising from the dangers of leaving vital sectors of the national economy to the whims of the private sector often under the direct control of foreign large scale industrial concerns. Public enterprises are thus, the crucial factor in Nigeria's quest for true national economic independence and self-reliance (1970-74 Plan document).

These policy statements are quite specific on the role of public enterprises in national development. They underscore the rationale for the establishment of public enterprises.

Most of the projects embarked upon in the Third National Development Plan used the policy statement of the Second National Development Plan as their foundation, though slightly modified. However, by the early 1980 the popularity of using public enterprise as an instrument for national development in Nigeria was in decline, particularly in the light of perceived poor performance of the sector.

Self-Assessment Exercise 1

- i. Briefly explain how the Second National Development Plan articulated National Policy on public enterprise.
- ii. Briefly explain the philosophy of public enterprise in Nigeria

4.4 Structure of Public Enterprise

4.4.1 The Board of Directors

This is a statutory organ appointed or elected by the owners, or representatives of the owners of an enterprise to protect proprietary interest by overseeing corporate or enterprise management. The board is the policy maker for public enterprise. Its role is to approve the public enterprise's budgets, monitor its performance and protect its management as a buffer against the encroachments of sectional interests. It communicates the public enterprise's needs and achievements to the stakeholders. In other words, the description of a public enterprise's structure must highlight the following facts:

The existence of a board of directors is mandatory for the company registered under the Nigerian Companies and Allied Matters Decree (1990) or Act of the Legislature.

The Board of Directors represents the owners and exists to protect their legitimate interest.

The Board is not set up to manage an enterprise but to oversee the actions of the management of the enterprise.

From the managerial stand-point, the functions of the board of directors include the following:

Trusteeship- that is husbanding enterprise assets.

Objective Setting- determining or approving proposed enterprise objectives and policies.

Representation- linking enterprise management with the public, the owners and the government

Top Level Staffing- Appointment of the chief executive of the enterprise and ratification of the appointment of other top executives.

Profit Management- Distribution of the enterprise earnings as dividends.

Strategic Planning- Approving budgets and major long range plans.

General Management Audit- Checking on results of operations; and monitoring the performance of the company and chief executive through asking discerning questions and insisting on answers.

Directing and guiding the management on matters of priority to achieve desired objectives of the enterprises (Ojobo, 2010).

The board of directors is the policy making organ of the public enterprise. It is usually headed by a part-time chairman and other members appointed from different parts of the country. Members of the board of directors are usually appointed by the supervising or superintending ministry subject to the approval of the executive council or the president or the governors as the case may be.

Usually, the appointment of board members is political and the chief executive by virtue of his position is a full-time member of the board.

Self-Assessment Exercise 2

- i. Explain the Board of Directors with respect to the structure of public enterprises in Nigeria
- ii. Explain the Management Board with respect to the structure of public enterprises in Nigeria

4.4.2 The Management Board

The second organ of public enterprise is the management board. This board is headed by the chief executive who may be called managing director, director-general, general manager or executive secretary. The chief executive is assisted by other departmental heads

The chief executive is responsible for the day- to- day management of the public enterprise. The functions of the chief executive (which are political and administrative) include-;

Obtaining and retaining a legislative support for its policies and programmes.

Preparing the budget and seeking legislative approval, and generally providing leadership to the public enterprise;

Ensuring that the board of director's decisions and directives are implemented.

4.5 Relationship Between the Board of Directors and the Management Board

4.5.1 The Relationship

Usually, the distinction between the functions of the board and that of the management is not clearly stated. The former is expected to set policies within the framework of good governance while the latter is expected to implement the policies. In practice, this is usually not the case as each group of functionaries is not prepared to keep within limits

of its power and responsibilities and the limits are often breached leading to frequent disruptions in operations. This lack of keeping within limits does not ensure that relevant policy decisions by the board are effectively implemented by the management.

4.5.2 Areas of Conflict

There is the problem of over-supervision of public enterprises by the supervising ministry. The inability of government ministries to allow enough freedom of actions to the public enterprises stifles management initiative and increase unnecessary bureaucratisation of operation, all resulting in poor performance.

The injection of subjective criteria in appointment meant that chief executive and principal functionaries of public enterprises were appointed not because of their proven or provable abilities to deliver but simply for reasons of primordial considerations. This relegates the factor of accountability to the background, thus undermining the hiring and firing power in the management of public enterprises. The result is that the managers of public enterprises become complacent and inert. For the same reasons, the board members of public enterprises fail to accord due emphasis to economic consideration in the decision-making process.

There is also, the question of political interference. Experience has shown that government in business provides a fertile ground for political meddlesomeness and large scale corruption in management decisions, recruitment, promotion, retention of redundant staff, prostitution of disciplinary procedures by ethnocentric consideration, as well as the award and inflation of frivolous contracts. Appointment of board members are made to repay political debts and to provide sanctuaries for defeated politicians and disgruntled colleagues, to appease prematurely retired but not tired army officers, to take care of old cronies, build up intra-political support or achieve a host of non-business objectives, all of which place severe strains on national budgets (Ojobo, 2010).

Sometimes the chairman of the ruling party wields his influence directly or indirectly on public enterprises. The circumstance accountability and the chief executive in order to keep his job, resorts to power brokers rather than mapping out corporate strategies for the enterprise. Knowing that in Nigeria the political groups are made up of small operators and full time politicians who have neither financial nor professional stake in the companies they oversee; it is easy to imagine the self- decisions that would be made at board meetings.

Below the chief executive are the directors who are also seen as threats by the chief executive because they mostly get their positions through political connections. In this circumstance, the chief executive finds himself always busy reading the 'power chart' of his environments; he is busy reading the body language of power brokers and appeasing them for fear of being unseated from below. He centralises decision-making in his hands and delegates power only to weaker members of the management board. As a consequence, while the chief executive is busy managing power brokers and threats from below, the corporate performance of the enterprise suffers from neglect and lack of effectiveness. This partly, explains the reasons for the poor performance of public enterprises in Nigeria.

Self-Assessment Exercise 3

- i. Explain the relationship between the Board of Directors and the Management Board
- ii. Identify possible conflicts that may arise from the relationship

4.6 Summary

This unit has been discussing the fact that right from the beginning, the Nigerian government has tried to articulate the philosophy guiding its involvement and the degree of that involvement in national development. In general, public enterprises in Nigeria have these two basic structures-the board of directors, and the management board.

4.7 References/Further Readings/Web Resources

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4.8 Possible Answers to SAEs.

Answers to SAEs 1

- i. Briefly explain how the Second National Development Plan
- ii. Articulated National Policy on public enterprise.
- iii. Briefly explain the philosophy of public enterprise in Nigeria

Right from the beginning, the Nigerian government has tried to articulate the philosophy guiding its involvement and the degree of that involvement in national development by the following declarations:
In no country in the world is economic and social development free from some form of deliberate effort to speed up the process.

Governments everywhere play a vigorous role in shaping the design of national economic development. In some countries the role of government is all-pervading and directly and extensively interferes with the lives of the people. In other countries, the influence of government is limited to policy measures within which all economic and other actions take place and which provide the stimulus to such actions. ... In the free society of Nigeria this involvement should take place at all levels and through a wide variety of forms: from the provision of health services and schools to the provision of credit for agriculture and industry: from technical training to the training of businessmen and the promotion of scientific research. The basic objective of economic development in Nigeria is not merely to accelerate the rate of economic growth and the rate at which the standard of living of the population can be raised: it is also to give her an increasing measure of control over her destiny. The Second National Development Plan articulated the philosophy behind public enterprises by stating specifically that statutory corporations and state owned companies have become increasingly a tool for public intervention in the development process. Their primary purpose is to stimulate and accelerate economic development under conditions of capital scarcity and structural defects in private business organisations.

There are also basic considerations arising from the dangers of leaving vital sectors of the national economy to the whims of the private sector often under the direct control of foreign large scale industrial concerns. Public enterprises are thus, the crucial factor in Nigeria's quest for true national economic independence and self-reliance (1970-74 Plan document). These policy statements are quite specific on the role of public enterprises in national development. They underscore the rationale for the establishment of public enterprises. Most of the projects embarked upon in the Third National Development Plan used the policy

statement of the Second National Development Plan as their foundation, though slightly modified. However, by the early 1980 the popularity of using public enterprise as an instrument for national development in Nigeria was in decline, particularly in the light of perceived poor performance of the sector.

Dudley Seers, perhaps posed the most fundamental questions relating to the meaning of development when he asserted that: The questions to ask about a country's development are therefore: what has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels, then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result 'development' even if per capita income doubled. While one may agree that the concept of development is a normative concept in the sense that it implies progress from a less desirable state to a more desired one, it would be difficult to find rational beings who would argue that the objective of eliminating poverty, inequality and unemployment for the largest majority of the population is not a desirable one.

Answers to SAEs 2

- i. Explain the Board of Directors with respect to the structure of public enterprises in Nigeria
- ii. Explain the Management Board with respect to the structure of public enterprises in Nigeria

The Board of Directors is a statutory organ appointed or elected by the owners, or representatives of the owners of an enterprise to protect proprietary interest by overseeing corporate or enterprise management. The board is the policy maker for public enterprise. Its role is to approve the public enterprise's budgets, monitor its performance and protect its management as a buffer against the encroachments of sectional interests. It communicates the public enterprise's needs and achievements to the stakeholders. In other words, the description of a public enterprise's structure must highlight the following facts:.

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Directing and guiding the management on matters of priority to achieve desired objectives of the enterprises (Ojobo, 2010).

The board of directors is the policy making organ of the public enterprise. It is usually headed by a part-time chairman and other members appointed from different parts of the country. Members of the board of directors are usually appointed by the supervising or superintending ministry subject to the approval of the executive council or the president or the governors as the case may be. Usually, the appointment of board members is political and the chief executive by virtue of his position is a full-time member of the board.

The Management Board is the second organ of public enterprise is the management board. This board is headed by the chief executive who may be called managing director, director-general, general manager or executive secretary. The chief executive is assisted by other departmental heads.

The chief executive is responsible for the day- to- day management of the public enterprise. The functions of the chief executive (which are political and administrative) include-;

Obtaining and retaining a legislative support for its policies and programmes.

Preparing the budget and seeking legislative approval, and generally providing leadership to the public enterprise;

Ensuring that the board of director's decisions and directives are implemented.

Economists generally use the term economic growth to refer to increases over time in a country's real output of goods and services - or more appropriately, real output per capita. Output is conveniently measured by gross national product (GNP) or national income, though other measures could also be used. On the other hand; economic development is a more comprehensive term. Some economists have defined it as growth, accompanied by change-changes in the structure of the economy, in the country's social structure, and in its political structure.

Answers to SAEs 3

- i. Explain the relationship between the Board of Directors and the Management Board
- ii. Identify possible conflicts that may arise from the relationship

Usually, the distinction between the functions of the board and that of the management is not clearly stated. The former is expected to set policies within the framework of good governance while the latter is expected to implement the policies. In practice, this is usually not the case as each group of functionaries is not prepared to keep within limits of its power and responsibilities and the limits are often breached leading to frequent disruptions in operations. This lack of keeping within limits does not ensure that relevant policy decisions by the board are effectively implemented by the management.

Areas of conflict include over-supervision of public enterprises by the supervising ministry. The inability of government ministries to allow enough freedom of actions to the public enterprises stifles management initiative and increase unnecessary bureaucratisation of operation, all resulting in poor performance. The injection of subjective criteria in appointment meant that chief executive and principal functionaries of public enterprises were appointed not because of their proven or provable abilities to deliver but simply for reasons of primordial considerations. This relegates the factor of accountability to the background, thus undermining the hiring and firing power in the management of public enterprises. The result is that the managers of public enterprises become complacent and inert. For the same reasons, the board members of public enterprises fail to accord due emphasis to economic consideration in the decision-making process. There is also, the question of political interference. Experience has shown that government in business provides a fertile ground for political meddlesomeness and large scale corruption in management decisions, recruitment, promotion, retention of redundant staff, prostitution of disciplinary procedures by ethnocentric consideration, as well as the

award and inflation of frivolous contracts. Appointment of board members are made to repay political debts and to provide sanctuaries for defeated politicians and disgruntled colleagues, to appease prematurely retired but not tired army officers, to take care of old cronies, build up intra-political support or achieve a host of non-business objectives, all of which place severe strains on national budgets.

Sometimes the chairman of the ruling party wields his influence directly or indirectly on public enterprises. The circumstance accountability and the chief executive in order to keep his job, resorts to power rather than mapping out corporate strategies for the enterprise. Knowing Nigeria the political groups are made up of small business operators and politicians who have neither financial nor professional stake in the companies they oversee; it is easy to imagine the self-centred decisions that would be made at board meetings.

Below the chief executive are the directors who are also seen as threats by the chief executive because they mostly get their positions through political connections. In this circumstance, the chief executive finds himself always busy reading the 'power chart' of his environments; he is busy reading the body language of power brokers and appeasing them for fear of being unseated from below. He centralises decision-making in his hands and delegates power only to weaker members of the management board. As a consequence, while the chief executive is busy managing power brokers and threats from below, the corporate performance of the enterprise suffers from neglect and lack of effectiveness. This partly, explains the reasons for the poor performance of public enterprises in Nigeria.

Unit 5 Performance Of Public Enterprises

Unit Structure

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- 5.2 Learning Outcomes
- 5.3 Autonomy Issues and Problems
 - 5.3.1 Autonomy Issues
 - 5.3.2 Problems
- 5.4 Return on Investment and Problems
 - 5.4.1 Return on Investment
 - 5.4.2 Problems
- 5.5 Corruption in the Sector
 - 5.5.1 Cases of Corruption
 - 5.5.2 Attempted Reforms
- 5.6 Summary
- 5.7 References/Further Readings/Web Resources
- 5.8 Possible Answers to Self-Assessment Exercise(s)

5.1 Introduction

It is well known that the measurement of the efficiency of a public enterprise is no easy matter. When it produces a marketable product, such as fertiliser, and sugar that competes with other products, the normal commercial criterion of profit may be adopted to assess its performance. In the case of a utility enjoying monopoly power, economists have developed concepts like cost-benefit analysis as a performance measurement tool. In recent years, many public enterprises have been given financial targets that make it to account both social and commercial responsibilities. The performance of public enterprises in Nigeria is examined on two issues- autonomy issues and return on investment.

5.2 Learning Outcomes

By the end of this unit, you will be able to:

- briefly explain why measurement of efficiency may be difficult in public enterprises.
- explain the challenges of autonomy with regards to public enterprises in nigeria.
- explain the challenges of return on investment with regards to public enterprises in nigeria.

5.3.3 Autonomy Issues and Problems

5.3.1 Autonomy Issues

In Nigeria, the phenomenon of external control or interference rarely ever escapes mention in studies and writings on public enterprises. This is because hardly any senior official in a public enterprise fails to point at it, openly or anonymously, whenever an opportunity avails itself. The way it is expressed depicts it as contrary to the principle of autonomy granted to a public enterprise at birth. For example, Fabura (1984) states that, in most government-owned public companies:

Government determines the financial pricing and distribution policies. And various competing extraneous authorities like the head of government, the chairman of ruling party, the ministry of finance and the controlling ministry, all influence decisions of the boards, and therefore, keep the chief executive on his toes trying to manipulate their influences for his convenience. In effect because the chief executive has too many bosses whom he must please, he has little time to plan for the success of his company. He resorts to power games. Here lies the problem of government companies and their inability to perform efficiently.

In a study of ‘Power Behind the Veil’ of Policy Processes in Nigerian Public enterprises, Fabura (1984) explains how informal mechanisms are used by the board to coerce executive actions towards their favoured positions. Tokunboh in Ojobo (2010) resents the action-stifling interference of government agencies to which parastatals are responsible.

Self-Assessment Exercise 1

- i. Explain briefly one (1) issue of autonomy with regards to public enterprises in Nigeria.
- ii. Explain one (1) problem confronting the autonomy

5.3.2 Problems

The federal government of Nigeria sought a consultancy study of management problems of public enterprises and parastatals from the Administrative Staff College of Nigeria (ASCON) in 1983. The Report indicates that:

One such impediment is the administrative structure which government itself has foisted upon them. On one side, there is a governing council or board of directors, mostly without professional knowledge relevant to the activity. This board has wide-range powers over policy matters and over matters of staff recruitment, promotion and discipline. On the other side, the management largely composed of professionals, whose role is to run the organisation and execute the policies laid out by the board of directors. Somewhere in the middle comes the supervising ministry, with a confusing role in its relationship to the board and management. It is possible, presumably, for this arrangement to work where each group of functionaries is prepared to keep within the strict limits of its powers and responsibilities. But in the fractions of social and political climate of our country, aggravated as it is by ethnic, political, egoistic, and other ambitions, these limits are continuously breached. The consequences have been that hostile relationship always exists between board and management, leading to frequent disruptions in the runnings of these establishments (ASCON Report, 1983)...

Tokunboh, a one-time chief executive of a parastatal, complained that it became impossible to manage with firmness capital development projects approved by the board. After unnecessary haggling, it would take months to gain ministerial approval. Appointments were controlled by politically appointed board members while the controlling ministries interfered practically in everything. She went further to state that the situation led to public enquiries into almost all the country's major corporations. A study of NEPA drew attention to how long-range plans submitted to its controlling ministry were subjected to so much delay that plans were overtaken by environmental events and changes (Ojobo, 2010). This is unfortunate.

5.4 Return on Investment and Problems

5.4.1 Return on Investment

Questions are naturally asked about the return on the investment in various public enterprises, the opportunity costs and priorities in view of new economic realities. From the stand-point of return on investment, there is sufficient evidence that in the main, public enterprises have proved a massive failure. In terms of their social objectives, including the provision of employment opportunities and the modernisation factor, their general inefficiency has made it almost impossible to achieve any meaningful result. One thus finds scattered across the country the skeletons of general government companies whose birth-days were marked with fun-fare several years earlier.

The performance of public enterprises in Nigeria at both the sectoral and sub-sectoral institutional levels has therefore, been a subject of considerable discussion by scholars. For example, Ayodele (1996), and Iwayemi (1990) provide comprehensive analysis of the dismal performance of public enterprises especially before the introduction of SAP in Nigeria in 1987. This dismal performance reflects public enterprises failure to meet public aspirations in terms of the quantum of output as well as the quality of services, generation of any reasonable rates of return to investment capital expenditure and the provision of adequate and reliable services.

Okongwu (1987: 889), then the minister of budget and planning, observes that, privatisation would be efficient in resuscitating the wasting and unprofitable public enterprises in Nigeria. He contended that they constituted a financial drain on government resources and the policy aims and objectives of public enterprises, contrary to popular belief, are not limited to the delivery of social services but also include business-like operations which should compel them at least to break even. Continuing, Okongwu (1987: 889) argues that, there is no doubt that our government is overburdened and public enterprises are in a state of disarray; thus, the only viable option left is to privatise them... Implicit in the views of Okongwu is the fact that public enterprises in Nigeria could best be described as an epitome of inefficiency and unproductivity; consequently, he was of the opinion that they should be privatised, though, he maintained that some of them that provided essential services should not be privatised, rather, they could be commercialised.

In his view with regards to public enterprises' inefficiency with privatisation as the answer, Fernandes (1982:67) identifies some factors responsible for this situation and consequently proffered that privatisation was the only viable alternative. According to him, these include, low levels of managerial and business efficiency, low capacity utilisation, the imbalance between input and output ratio. Accordingly, he recommended that since an awareness of the causes of losses have been realised, the enterprises should be privatised to eliminate the resultant inefficiency. In addition to his strong belief in privatisation, as a panacea to public enterprises inefficiency, Fernandes (1982:68), warns that:

Attempts to solve the situation of recurrent losses from within the organisation would not make any impact since attempts would be treated as imposition and are likely to fail through lack of involvement and co-operation at the operating levels of management.

In other words, Fernandes was very much aware of the unviability of the public enterprises and also believes that the only solution to reverse this situation lay in outright privatisation which, according to him, to a greater degree, would inject the business spirit into the enterprises and they would, make profits.

Reasoning along the same line, Asiodu (1987:1), recalls that by 1985, government had sunk N23 billion into the parastatals and agencies, and except the investments in the commercial banks and joint ventures with oil companies, there is nothing they earn as dividends. He therefore, maintains that, privatisation should aim at achieving cost effectiveness and efficiency. Asiodu (1987), also allays the fears that privatisation of some enterprises might lead to cut-throat price charges by stating that government intervention could put a ceiling on prices. He cited the United States of America as an example of a country where the government and representatives of utility companies meet to fix prices.

On the other hand, Asiodu (1987) suggests that government-owned companies that provide basic services as the NNPC, NEPA, NRC, etc, should not be privatised. According to him, high service charges that would follow their privatisation might affect the quality of life of individuals.

Some scholars such as Iwayemi (1990) and Ayodele et al (1995) observe the voltage peculiarities of electricity utility to explain inadequacies in the production systems of utilities in Nigeria in the 1960s through the first half of the 1980s. The situation in the 1989/90 fiscal year was nowhere different from the past trends shown in these previous studies. For example, total installed capacity in 1989/90 as shown in NEPA Plc's records was about 5,702 mw. The composition of this capacity is as follows: total hydro-power capacities in Kainji (760 mw), Jebba (540 mw), and Shiroro (60 mw); thermal capacity at Egbin (1320 mw), Sapele, (120 mw), Afam I III (580 mw) and Delta I III (840 mw).

Available capacity from this installation was roughly 3,000 mw (53%). However, the effective capacity was about 40% of installed capacity. That is, of an installed capacity of about 5,702 mw in 1989/90, only 2,280 mw was effective for electricity generation (News Watch Magazine, May 30, 1989: 14-19). In other words, there is capacity under-utilisation. In fact, the situation was the same in the NRC, WCN, NAL, etc., due to reasons connected with unavailability of spare parts, frequent breakdown of machines because of irregular servicing and inadequacy of maintenance and hydraulic problems in the cases of hydro projects.

The overall effects of these inadequacies result in serious supply-demand imbalances reflecting supply shortages. These shortages are usually met with load shedding, rationing and demand suppression devices. This situation remained the same for the transport and telecommunications services where demands overrode supplies. In other words, the provision of infrastructures in Nigeria remains weak (Iwayemi, 1990).

The World Bank Development Report (1990) reveals that the costs of this weak infrastructure, particularly for manufacturing enterprises, are very high. The Report stated that for every firm of more than 50 employees under surveillance, there was a privately owned stand-by generator despite being connected to the national power supply. Such firms, according to this Report, had altogether invested an average of \$130,000 each in their own private supply systems.

Similar investments were also made in private bore-holes due to unreliable water supply. The situation was the same in communication services where employment of messenger motor-cycles or radio transmitters was put in place because of weak telephone and postal systems. The Report concluded that Nigeria's weak infrastructural development had clearly reduced productivity of firms while accelerating inflation rates in the country.

The declining trend in the industrial electricity consumption by manufacturers is certainly the response of private industrialists to the poor quality of the public electricity supply. For example, industrial electricity consumption accounted for about 53% of total consumption in 1965/66. This share persistently declined overtime with weaker performance of NEPA Plc to 40% in 1970/80; 37.2% in 1980/81 and 30% in 1989 (News Watch Magazine, May 30, 1989: 14-19). Thus, the demand responses of many industrial and commercial electricity consumers to poor services have been to render NEPA Plc as a stand – by power supply source as they attempted to substitute a more expensive captive supply to minimise the economic cost of their production and consumption activities.

The market situation in the other utilities sub-sector of transportation, communication and water equally presented a dismal performance story as in the electricity. This was confirmed by government in the 1975-80 National Development Plan that public enterprises produced intolerable poor service (1975-80 Plan Document, Vol. 1: 229). This was clearly illustrated by an unimpressive probability of calls connecting, mails tampering or mails not reaching their destination except after considerable delay or not at all, which characterised the communications

industry within that plan period and still obtained to a large extent in the 1980s particularly before the introduction of SAP.

For example, there were series of unfulfilled demands reaching about one – third of NITEL’s installed capacity of about 300,000 lines up till 1986. Private substitution of transportation, radio and courier service for NITEL and NIPOST services were testimonies that things were not well with these public enterprises in terms of production to meet demand of consumers (Iwayemi,1990).

CEAR/NIDB Report of 1991 provided a comprehensive discussion on the poor state of the provision of water to most urban centres in Nigeria. These studies revealed the fact that bore-holes, wells and tanker supplies provide expensive alternatives for higher income consumers while lower income households resort to less healthy alternatives with ailment consequences.

In recognition of the commercial objectives of public enterprises, it would be economically desirable for public to embark on the simultaneous determination of investment finance and pricing decisions. Contrary to this desire, pricing and investment decisions were treated under statutory guidelines as two unrelated variables. Thus, under ministerial directives, tariffs (user-charges) were statutory fixed below production costs under the pretext of the subsidisation policy. Hence such tariffs did not reflect the scarcity values of utilities inputs. Table 6.1 shows operating costs, average costs, and average revenue of electricity during the periods between 1983 and 1987.

Table 6.1 Electricity Total Operating Cost, Average Cost and Average Revenue between 1983 and 1987.

Year	Total Operating Cost (N Million)	Average operating Cost (Kobo/KWH)	Average Operating Revenue (Kobo)	Operating Surplus/Losses (N Million)
1983	370,307	6.8	7.0	-37.27
1984	365,102	5.9	7.4	-11.92
1985	410,142	5.6	7.4	-58.63
1986	544,835	7.3	7.0	-26.73
1987	651,053	8.7	7.1	-81.04

Source: NEPA Headquarter, Lagos.

Given the financial procedures, substantial financial losses characterised the operations of these public enterprises. Table 4.1 illustrates the case of NEPA Plc for between 1983 and 1987 periods for which data exist. Apparently in all the years NEPA Plc incurred significant losses.

Incidentally, the NRC, NAL, Water Board, NITEL and NIPOST were all visited with identical financial losses.

Self-Assessment Exercise 2

- i. Explain briefly one (1) challenge of return on investment with regards to public enterprises in Nigeria.
- ii. How did NITEL perform with regards to return on investment?

5.4.2 Problems

The quantifiable return on the large volume of investment in the public enterprise sector in Nigeria, for example, was not seen as satisfactory in the light of the realities of the country's economy in the 1980s. Almost all the enterprises operated at sub-optimal levels. There were huge losses in many cases, and these losses were charged against public treasury.

Pointing to the public enterprises' inefficiency and the possible financial gains that could accrue from their privatisation, Maghori (1987), observes that privatisation is one of the main elements of the SAP; with it, the government aims at lessening the dominance of unproductive investments in the public sector, improving the sector's efficiency and thereby intensifying the growth potentials of the private sector. Continuing, he notes that most Nigerians have been living witnesses to the very poor performance of the Nigerian public enterprises since independence; these enterprises have not only failed to justify the huge government investments on, and subventions made to, them, but have constituted a huge financial burden on the government. Illustrating this point, he further pointed out that at the federal level, there are over 100 public enterprises spread over agriculture, mining, manufacture, transport, commerce and other service activities. Federal government's investment in this sector was over N23 billion of which only N400 million was received annually. If subventions are incorporated, the rate of return becomes negative. Consequently, Maghori (1987), poignantly avers that this state of affairs from the economic perspective ought to, and indeed should, be discouraged. He, therefore, concludes that privatisation was the best option in order to rid the public enterprises of inefficiency and unproductivity. Maghori (1987), summarises the potential benefits of privatisation and commercialisation of the public enterprises in this following argument:

The perceived advantage that will accrue to Nigeria as a result of privatisation exercise include - relieving government of its financial burden, thus enabling it to release funds to other areas that need such

funds; enabling companies so privatised to be managed effectively and profitably; enhancing a more equitable distribution of wealth that could lead to increased employment and general economic activities due to expansion of many sectors of the economy.

5.5 Corruption in the Sector

Self-Assessment Exercise 3

- i. Name one (1) case of corruption in public enterprise.
- ii. Suggest one (1) remedy.

5.5.1 Cases of Corruption

According to Obasanjo (1999):

It is conservatively estimated that the nation may have lost about \$800 million due to unreliable power supply by National Electric Power Authority and another \$440 million through inadequate and inefficient fuel distribution. And the figures like this do not even tell the whole story. They cannot for example, capture the scope of human suffering and even loss of lives caused by shortage of petroleum products. That is not to mention the frustration and debilitation of the informal sector where business centres, repair workshops, hair dressing salons etcetera depend on steady supply of electricity to function.

In some of these organisations, cases of large-scale mega corruption were rampant. Permanent officials colluded with political executives to engage in corrupt practices. For example, in 2014 it was alleged by the Governor of the Central Bank of Nigeria (CBN Governor) that out of \$67 billion worth of crude oil shipped by the NNPC between January 2012 and July 2013 only \$47 billion was recorded by the CBN, leaving \$20 billion unaccounted for. He also revealed that within the same period, the NNPC failed to remit a whopping \$49.8 billion of oil proceeds to the Federation Account.

After a series of verbal outbursts which generated a lot of controversies among industry operators including labours, organised private sector operators and financial experts the CBN governor appeared before the legislature and quoted another figure (\$12 billion) – to the consternation of many Nigerians (leadership , Friday December 2014). For this singular act the CBN governor (who later became the Emir of Kano), was placed on indefinite suspension and a forensic audit was ordered. What the government and the NNPC later said was that it was only

\$10.8 billion that was unaccounted for, which is still a huge sum of money. According to Imimole et al (2014) the Academic Staff Union of Universities' protracted strike of 2013 could have been averted if part of this amount was released to them.

Merit-based recruitment and promotion were usually replaced by appointments and promotions based on patronage and clientelism and other forms of favouritism which in most cases involve corrupt practices. This situation is an unfortunate one.

Public enterprise's inability to live up to expectation in terms of their physical and financial performance has created a crisis of confidence which has been one of the reasons for the call for public enterprises' institutional reforms. In fact, the cumulative effects of this crisis, illustrated by the poor quality of services and financial losses earlier mentioned, have kept industrial growth and socio-economic development much below what is attainable by the economy (Iwayemi, 1990; Ayodele, 1996). Therefore, the need to improve the performance of public enterprises underpins the privatisation and commercialisation policy embodied in the public sector reform programmes under SAP.

5.5.2 Attempted Reforms

Poor performance of public enterprises resulted in the introduction of some reform measures in Nigeria as early as in the 1970s. A good example is a 1979 two-year management services agreement with Rail India Technical Services and the Dutch Royal Airline to assist in improving the performance of the Nigerian Railway Corporation and the Nigeria Airways, respectively. The agreements were signed in 1979, but the temporary improvement in services could not be sustained. Obviously, achieving improved performance in Public Enterprises requires more far-reaching reforms and greater commitment on the part of the leadership.

5.6 Summary

In this unit the performance of public enterprises in Nigeria was discussed under the following sub-headings such as autonomy issues and return on investment. It is well known that the measurement of the efficiency of a public enterprise is no easy matter. When it produces a marketable product, such as fertiliser, and sugar that competes with other products, the normal commercial criterion of profit may be adopted to assess its performance. In the case of a utility enjoying monopoly power, economists have developed concepts like cost-benefit analysis as a performance measurement tool. In recent years, many public enterprises have been given financial targets that make it to

account both social and commercial responsibilities. The performance of public enterprises in Nigeria is examined on two issues- autonomy issues and return on investment.

5.7 References/Further Readings/Web Resources

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5.8 Possible Answers to SAEs.

Answers to SAEs 1

- i. Explain briefly one (1) issue of autonomy with regards to public enterprises in Nigeria.
- ii. Explain one (1) problem confronting the autonomy

In Nigeria, the phenomenon of external control or interference rarely ever escapes mention in studies and writings on public enterprises. This is because hardly any senior official in a public enterprise fails to point at it, openly or anonymously, whenever an opportunity avails itself. The way it is expressed depicts it as contrary to the principle of autonomy granted to a public enterprise at birth.

One such impediment is the administrative structure which government itself has foisted upon them. On one side, there is a governing council or board of directors, mostly without professional knowledge relevant to the activity. This board has wide-range powers over policy matters and over matters of staff recruitment, promotion and discipline. On the other side, the management largely composed of professionals, whose role is to run the organisation and execute the policies laid out by the board of directors. Somewhere in the middle comes the supervising ministry, with a confusing role in its relationship to the board and management. It is possible, presumably, for this arrangement to work where each group of functionaries is prepared to keep within the strict limits of its powers and responsibilities. But in the fractions of social and political climate of our country, aggravated as it is by ethnic, political, egoistic, and other ambitions, these limits are continuously breached. The consequences have been that hostile relationship always exists between board and management, leading to frequent disruptions in the runnings of these establishments.

Answers to SAEs 2

- i. Explain briefly one (1) challenge of return on investment with regards to public enterprises in Nigeria.
- ii. How did NITEL perform with regards to return on investment?

The quantifiable return on the large volume of investment in the public enterprise sector in Nigeria, for example, was not seen as satisfactory in the light of the realities of the country's economy in the 1980s. Almost all the enterprises operated at sub-optimal levels. There were huge losses in many cases, and these losses were charged against public treasury.

There were series of unfulfilled demands reaching about one – third of NITEL’s installed capacity of about 300,000 lines up till 1986. Private substitution of transportation, radio and courier service for NITEL and NIPOST services were testimonies that things were not well with these public enterprises in terms of production to meet demand of consumers.

Answers to SAEs 3

- i. Name one (1) case of corruption in public enterprise.
- ii. Suggest one (1) remedy.

In 2014 it was alleged for example, by the Governor of the Central Bank of Nigeria (CBN Governor) that out of \$67 billion worth of crude oil shipped by the NNPC between January 2012 and July 2013 only \$47 billion was recorded by the CBN, leaving \$20 billion unaccounted for. He also revealed that within the same period, the NNPC failed to remit a whopping \$49.8 billion of oil proceeds to the Federation Account. After a series of verbal outbursts which generated a lot of controversies among industry operators including labours, organised private sector operators and financial experts the CBN governor appeared before the legislature and quoted another figure (\$12 billion) – to the consternation of many Nigerians. For this singular act the CBN governor (who later became the Emir of Kano), was placed on indefinite suspension and a forensic audit was ordered. What the government and the NNPC later said was that it was only \$10.8 billion that was unaccounted for, which is still a huge sum of money. The Academic Staff Union of Universities’ protracted strike of 2013 could have been averted if part of this amount was released to them.

Attempts were made at addressing poor performance of public enterprises by the introduction of some reform measures in Nigeria as early as in the 1970s. A good example is a 1979 two-year management services agreement with Rail India Technical Services and the Dutch Royal Airline to assist in improving the performance of the Nigerian Railway Corporation and the Nigeria Airways, respectively. The agreements were signed in 1979, but the temporary improvement in services could not be sustained. Obviously, achieving improved performance in Public Enterprises requires more far-reaching reforms and greater commitment on the part of the leadership hence, the adoption of privatisation policy.