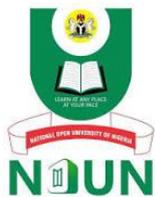


## **COURSE GUIDE**

### **MPA 854 PUBLIC ENTERPRISE MANAGEMENT**

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## **Introduction**

Public Enterprise Management is one-semester course for students of Master of Public Administration. It is a 2-credit unit course consisting of 15 units. Each unit is to be covered in 2 hours. It is also a core course.

## **Course Content**

The discussion of organisation and civil service and its reforms is to enable you understand the concept of public enterprises better. However, the civil service discussion is restricted to the Nigerian experience.

## **Course Aims**

The aim of this course is to expose you to the concept of Public Enterprises, Organisation and Civil Service with its reforms. This is made easy by introducing you to:

- The Nigerian Civil Service and Some of its Reforms
- Public Enterprises Reforms (that is Privatisation and Commercialisation of Public Enterprises)
- What Organisation Means and its Characteristics
- The Nigerian Civil Service and some of its Reforms

## **Intended Learning Outcomes**

The set objective of this course has been stated in each unit. Nevertheless, the end of the successful completion of this course, you should be able to discuss and explain the following concepts:

- Historical of public enterprises in Nigeria
- Characteristics of Public Enterprise
- Problems of Public Enterprises
- Management of Public Corporations
- The Performance of Public Enterprises in Nigeria
- Privatisation and commercialisation of Public Enterprises
- Organisation
- Analysis of Organisation
- Civil Service
- Features and Functions of Civil Service
- Nigerianisation Policy
- Evolution of Nigerian Civil Service
- Civil Service Reforms: Udoji commission
- The 1988 Civil Service Reform
- Civil Service Reforms of 1997

**MAIN  
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## MODULE 1

Unit 1	Historical of Public Enterprises in Nigeria
Unit 2	Characteristics of Public Enterprise
Unit 3	Problems of Public Enterprises
Unit 4	Management of Public Corporations
Unit 5	The Performance of Public Enterprises in Nigeria

### UNIT 1 HISTORY OF PUBLIC ENTERPRISES IN NIGERIA

#### Unit Structure

- 1.1 Introduction
- 1.2 Learning Outcomes
- 1.3 Historical Evolution of Public Enterprises in Nigeria
  - 1.3.1 Evolution of Public Enterprise in Nigeria
- 1.4 Motives & Purposes of the Establishment of Public Enterprise
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#### 1.1 Introduction

The challenges facing government in delivering public goods and services get more complex as civilisation advances. In order to fulfill its duties, the government is continually developing new strategies, tools, and agencies. Public enterprise groups with a degree of autonomy are at the top of the list because they are the primary tools for economic development today. As in many other emerging nations, Nigeria has seen an upsurge in this problem. This unit introduces you to the history of the evolution of public enterprises in Nigeria. This is to enable you fully comprehend the concept of public enterprises



#### 1.2 Learning Outcomes

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

- trace historical evolution of public enterprises in Nigeria
- state reasons for the creation of public enterprises
- identify ways of Improving Public Enterprises.



## **1.3 Historical Evolution of Public Enterprises in Nigeria**

### **1.3.1 Evolution of Public Enterprise in Nigeria**

Public sector reform in Nigeria predates the country's liberation from colonial rule, and every government in power there since then has understood that political freedom without economic freedom is a sham. As a result, Nigeria has spawned a wide range of public enterprises. There are businesses that provide a public good, like those that provide water or electricity; businesses that are primarily for profit, like airlines and railroads; businesses that focus solely on technology and science, like universities and their affiliated hospitals and research centers; and businesses that are in it for the money, like investment firms. There is a growing body of work documenting the successes and failures of various government agencies. The many stories and comments, however, tell a picture of disillusionment. Reputable organisations in Nigeria's economic sector, such as the Nigerian Economic Society, have voiced doubts about the public business model as a whole due to the recent lackluster results achieved by the country's publicly traded companies. One governmental agency's underwhelming performance after another is a letdown after the original noble goals and great hopes. The poor quality of management has contributed to the already high rate of direct Ministerial intervention into the day-to-day operations of these businesses, which has resulted in a dismal return on investment. Inadequate or flawed pre-investment research have led to major mistakes, and there is evidence of bad internal administration in some instances. The nation's economic health, the standing of its political and economic institutions, and the fulfillment of the people's needs are all on the line. The overarching goal of this paper is to analyse Public enterprises in order to determine the specific factors that have led to their success and to propose solutions for making other public firms more prosperous. All or part of the government of the Federal Republic of Nigeria owns public firms, which provide development financing. Some public companies evolved from Board-managed departments into publicly traded companies with limited responsibility.

Establish public enterprises can evolve from three main types:

- 1) The departmental government enterprise;
- 2) The public corporation; and
- 3) The State-owned company

#### **1. Departmental Government Agency**

Departments within the government have taken on a wide range of new duties as a result of the proliferation of government activities. Public utilities like water distribution and mail delivery have typically been run by departments or Boards of Directors as state-owned enterprises. This type of business is often established as a department inside one of the executive Ministries of government and receives its funding through an annual appropriation from the Treasury. Budget, financial, and audit controls common to other government agencies apply to the company as well.

Company personnel are civil servants hired and paid like any other government employee. In jurisdictions where this is the case, the company has the same protections from legal action as the state itself, making it immune from suit without the approval of the government. It's not hard to see the drawbacks to relying on such businesses. Normal civil service procedures cannot be followed in a business setting. Some businesses are used as pawns in political games and manipulations. Red tape at government agencies is exacerbated by the plethora of memoranda that must be drafted on a daily basis, even for the most mundane of official concerns. There is an overblown fear of bureaucratic administration and a lack of managerial and accounting independence.

## **2. Public Corporation**

Some commonalities between public enterprises in other nations, including Nigeria, were detailed in a United Nations report titled *Public Enterprise; A Study of its Organisation and Management in Various Countries*. These are the most distinguishing features: a. **Initiation:** a public corporation has its beginnings in a statute or a government ordinance that establishes its legal personality, grants it the authority to do business on behalf of the government, and details its management structure and relationship to other existing government agencies. b. **Legal Personality:** As a corporation, it has its own legal personality and can sue and be sued, make and enter into contracts, and hold property in its own name. c. **Source of Funds:** Appropriations to the Capital Fund, Borrowings from the Treasury or Commercial Banks, and Profits from the Sale of Products and/or Services are the most common ways in which a corporation acquires money to operate. A company can legally invest or redistribute the money it earns. The ability to "define the character of, and the necessity for its expenses, and the way in which they shall be undertaken, allowed, and paid" is a common provision for corporations. This means that laws that restrict or ban the use of public monies cannot be enforced against a company. When it comes to e. **Accounts, Budgets, and Audits,** a publicly traded company is typically exempt from the regulations governing government agencies and departments that are not corporations. It is common for these systems to

be modeled after standard procedures in the private sector, with some room for adaptation for unique circumstances.

When it comes to managing employees, numerous corporate charters have acknowledged the need for more discretion. Most workers are not civil servants but are instead hired and paid according to policies and procedures that the Corporation establishes for themselves. The relevance of these corporate powers lies in the fact that they allow the government to provide services and fulfill public duties in a manner that is remarkably similar to that of a for-profit enterprise. In addition, private business owners are accustomed to the corporate form of organisation and are more comfortable doing business with a publicly traded company that is subject to lawsuits and can also file lawsuits.

### **State owned Companies**

Commercial company structures are widely used across the world, with nations like Nigeria adopting them for situations in which the state collaborates with private businesses or forms a government-owned firm. The primary distinction between this business structure and a public corporation is one of formality and paperwork. State-owned companies, in contrast to public corporations, are created by the "Companies Decree" or the country's corporate law. There doesn't appear to be a rationale for classifying some businesses as "corporations" and others as "companies," even if they engage in identical activities. Regarding the structure and organisation of Nigeria's public sector, the Udoji Public Service Review Commission said as much in its Main Report from 1997. As a matter of uniformity, we propose that statutory companies be established for those public firms whose major objectives and operations are primarily infrastructural in nature and hence require closer Government supervision and control to ensure conformity with public policy. .... Any government agency with a primary focus on making a profit, or even just breaking even annually, should operate as a separate legal entity.

Regardless matter what they're called, these government agencies are meant to promote economic growth. They are an example of a policy option that the government can use to bring about unprecedented levels of wealth and development. They lessen the government's workload by picking up the slack on some welfare and critical service supply, and in some situations they actually do so by contributing money from their profits to governmental infrastructure, social services, and development initiatives. Comparing the NNDC to the aforementioned types of public corporations, we can say that between 1919 and 1955 a. public corporation, and between 1968 until the present a. State-owned company, it fell under the former category (Othman, 1977).

#### **1.4 Motives & Purposes of the Establishment of Public Enterprise**

There are a number of underlying factors that make it practically inevitable that developing countries would have a sizable public enterprise sector. To begin, the rate of private capital production is likely insufficient for many uses. Therefore, in the sake of universal progress, government intervention is either a practical need or an irreducible need for endeavors that private investors are unwilling or unable to begin. Therefore, it is not unexpected that the public sector prefers to invest in railways and other essential public utilities like power and irrigation. The incapacity of private entrepreneurs to engage in certain economic activities that they view as having only marginal profit level is a further justification for government intervention in the form of national priorities in order to drive economic growth. Thirdly, foreign investment is typically hesitant or cautious to come to these nations to support sectors due to political instability in emerging nations. The government creates a cooperation with the domestic private sector and wins over international investors as a show of good faith. Foreign investors, financiers, and recruiters are assured of a secure environment thanks to government involvement. This is due in part to development's positive impact on society. True national economic progress, it is said, requires not just a rise in per capita income but also a more just distribution of that rise. To protect the public interest, governments must regulate economic activity rather than leaving them to the whims of special interests, such as those represented by most private businesses. To address strategic concerns is the sixth justification for why the government may set up public enterprises. The government may, for instance, start making weapons and defensive equipment. These are too crucial to the nation's security and survival to be placed solely in the hands of the private sector. For the sake of international parity, governments may be compelled to make some projects public, like the Airlines. There is a pressing requirement for countries to join international organisations like the United Nations and engage in their international marketplaces in accordance with established norms and protocols. Finally, the motivation to maximise the utility of people and material resources is reflected in the public enterprise system's provision of a generally more rigorous and freer authority to hire and fire, which in turn encourages workers to be more invested in and accountable for their work. This context is largely responsible for the surge in popularity of public enterprises in the world's poorest countries (Othman, 1977).

##### **Self-Assessment Exercise 1**

Explain how Establish public enterprises evolve.

## **1.5 Improving Public Enterprise Performance in Nigeria**

### **1. Autonomy & Control of Public Enterprises**

Finding a happy medium between managerial independence and government oversight has been an ongoing challenge for Nigeria's public sector. It was noted that political meddling directly caused the circumstances that ultimately led to the establishment of the first Commission of Inquiry into the operations of Public Enterprises. Some politicians in positions of power at the time used their influence to promote friends and family members who weren't qualified or invested in the company, give them loans they didn't need, and hire people who had connections to them even if they weren't qualified, among other inappropriate actions. Even worse is when politicians impose rigid operational standards on the administration of a public agency, stifling their ability to adapt to changing circumstances. It's not unheard of for lawmakers to call for the dismissal of an executive who doesn't toe the party line. When faced with the choice of doing what they think is right for their organisations or accepting an order they perceive to be detrimental to the progress of such organisations, some corporate executives have resigned their appointments out of concern for their integrity rather than some employment opportunities. The company is the loser in the end. As long as these inconsistencies persist, the efficiency of government agencies will be in jeopardy. As such, they are "clogs in the wheel of progress" that need to be removed. It is evident that NNDC could not claim success during the many periods in which it was under the control of different individuals and branches of government. In fact, events in the Northern Region and the country as a whole between 1993 and 1995 demonstrated a fierce battle between the dominant political groups. Most governmental institutions were politicized, and regionalism and tribalism became the norm. It's no surprise that the Military Commission of Inquiry into Public Enterprises affairs concluded that, in order for the organisation to become a reliable tool for government investment, its powers of executive decision-making should be delegated to Management, and a non-partisan, part-time Chairman should be appointed to oversee the board. One of the official factors credited with Public Enterprises' success is the autonomy it has had since its inception and has had its members confirm.

Management of other public enterprises would function more effectively if they were given more autonomy and subjected to less government oversight. For instance, the new "economic" firms shouldn't have to worry about being interrupted by politics; instead, they should operate independently. The businesses will be able to run efficiently and profitably thanks to the autonomy, administrative freedom, and adaptability typical of private firm management techniques. They should

be legal entities that can raise capital and allocate it in whatever way makes the most sense to their leadership. They should focus solely on business endeavors so that their progress can be tracked over time. In this approach, top executives will understand that their companies' viability is directly tied to their ability to succeed in the free market. Then, they'll follow NEPA's lead and work hard to succeed and become financially independent. Public "social" enterprises exist in part because long-term development plans are essential. According to the research study, it is the responsibility of the federal and state governments to improve the quality of life for their constituents. Due to government oversight, "social" businesses typically function similarly to how the government itself is structured. To get products and services out the door from businesses, however, bureaucratisation should be downplayed.

Authority recognition and rule following to the letter are often cited as examples of bureaucracy's negative effects. While it's important to recognise the benefits of formal regulations and a well-established chain of command, it's also important to avoid exaggerating these features to the point where an obsession with conformity stymies progress toward an end. In the absence of this caveat, such norms cease to be viewed of as related to a particular set of purposes and instead become absolutes. This is not to say that government workers and officials should be given *carte blanche* to behave as they like. Some sort of regulatory apparatus is required for optimal cooperation and diminished conflict. However, the author argues that one's ability to persuade people shouldn't depend on the authority or norms placed on them, but rather on the careful selection of the tools of influence that the given situation calls for. Businesses owned by the public sector should not support all policies used by the civil service if they are to fulfill their missions effectively. The type of independence that is being pushed for will give government entities the appearance of favoritism in comparison to their parent Ministries.

There are two main schools of thought when it comes to this question. One argues that nothing can be accomplished effectively through the Ministries and that, as a result, the creation of parastatals and corporations is required along with the provision of sufficient inputs (including sufficient personnel, adequate funding, and an effective organisational structure). Attempts to better the Ministries are often sidestepped as a result. To this end, the alternative model proposes the establishment of public entities to perform specific governmental tasks while also improving the effectiveness of existing Ministries. This perspective suggests that instead of letting the Ministries fall farther and further behind, the government should make a concerted effort to make them and other public companies more effective tools of governance. It's an undeniable reality that the Ministries of the Nigerian government, and

bureaucracies worldwide, are not particularly effective. If they are to be results-oriented, public companies, and especially "economic" ones, need some leeway in their operations (which are, by definition, non-routine). This will mean they are no longer subject to the customary heavy-handed interference and control from government ministries. However, the second strategy, in which Ministries and relevant parastatals coordinate effectively to address the issue of "social" enterprises, is warranted. Take, once more, the case of vehicular travel. The Federal Ministry of Transport is among the several government entities responsible for developing and enforcing Nigeria's comprehensive transportation policy.

All federal roads are maintained by state-level Ministries of Works on behalf of the Federal Transport Ministry, while highway patrol systems are the responsibility of state and local government police organisations. In addition, numerous state-owned transport businesses operate passenger vehicles to transport people within and between cities and states. Neither of these organisations can be ignored or undervalued if the government is serious about seeing its road transportation program through to fruition. Consequently, the question of autonomy is context-dependent; while it makes sense for "economic" firms to be autonomous, "social" enterprises need to combine their activities with their main-line Ministries in order to achieve a holistic reform. In the latter group, the extent to which a government agency (such the Posts and Telecommunications Department or the Kaduna State Water Board) can act independently from the government itself will differ from that of a statutory company (e.g., the Kaduna State Housing Corporation). No department or Board should have more independence than is granted under civil service norms that are standard for comparable organisations. Statutory corporations require the level of independence necessary for them to comply with the requirements outlined in their governing decrees.

When it comes down to it, the primary reason for government oversight of "social" companies is to guarantee that they adhere to public policy. Given the country's long history of Public Service Review Commissions, it's only just that Nigeria's current administration be given credit for its efforts to enhance public administration. The focus has been on ways to better the various branches of government, including the executive, legislative, judicial, police, and correctional systems. To address the challenge of a growth-oriented society, we must ensure appropriate development and optimal utilisation of human resources and improve the efficiency and effectiveness of public services. Total success won't be recorded until well into the future because this is a long-term, continual process. During the transition period, it makes sense for "economic" companies to be set up to address specific societal

requirements that can't be adequately addressed by a centralised agency like the Ministries. Depending on the circumstances, kids may be granted more freedom to act in this way. They should not be considered as an attempt to divert resources away from government Ministries, but rather as an alternative way to achieve a common goal: the quick and thorough development of the nation. Management and staff should feel proud to serve rather than superior to or in charge of customers when they are given the freedom to execute their jobs without interference. Some governmental authorities in the country come out as arrogant and bullying to the general public. When government workers, who are supposed to be "servants of the people," are instead elevated to positions of authority, it creates a lot of friction in the minds of the general public. It's been said that examples are more effective than rules. The administration of government-owned businesses ought to be honest. Their subordinates will choose what constitutes an appropriate work attitude, and, as is the case with most public sector companies, the only way managers can maintain order is if they share that commitment (Yeye, 1983).

## **2. Employee Motivation and Satisfaction**

It has been established that the shortcomings of Nigeria's public sector may be traced back to the people working in the corporation. Management should provide workers with adequate salary and benefits rather than imposing further restrictions. Not only do NNDC personnel receive higher base pay than in most other organisations, but they also have access to comprehensive benefits packages, including health care for themselves and their families and compensation for any injuries sustained on the job. Generally speaking, employees in "economic" public companies should anticipate to put in slightly longer hours than those in the "social" sector. What's more, there's pressure to make the most of such times, as opposed to, say, a Ministry or Department, when employees could wander off to do their own thing at the expense of the organisation. It's only fair to compensate workers in "economic" concerns more for the extra effort put in by management. According to the author's research, top management in Nigeria's public sector organisations not only consistently shows up on time, but is also frequently the last to depart at the conclusion of the workday. In fact, there are random attendance checks to make sure everyone is sticking to the company's mandated 40-hour work week. The high salary and benefits the staff earn are a direct result of their adherence to the rules. Businesses compete with one another to try to increase their profits for their shareholders. The new "economic" groups should adhere to the same standards as those found in the commercial market, such as offering competitive salaries to attract and retain talented workers. While some would be put off by the seemingly endless hours of work required, others might be drawn in by the perks that aren't offered by the

government. Those who opt to work in the "private sector" do so knowingly, and they should be compensated fairly for their efforts. In contrast, workers who are part of a "social" business's evaluation and promotion scheme tend to be better at their jobs. Management will set the terms of any such sponsorship, but it's best if trainee candidates don't have to pay more than they have to for school. Public organisations typically provide complete sponsorship for their employees' training, which includes paying for everything from tuition and living expenses to a stipend for winter clothes if the training is taking place overseas. This takes away an extra source of anxiety for students who are self-funded or only partially supported. Trainees who are provided with such luxuries often feel a sense of duty to remain to their sponsoring organisations after completing their programs rather than seeking employment elsewhere (Yeye, 1983).

### **3. Dedication, honesty, and commitment**

As unpleasant as it is to say, the country's heritage of the spoils system and political favoritism is still very much alive. There are many examples of the merit system being abused for partisan, administrative, or even personal gain. An applicant may be preselected for an open post, or an employee may be given a swift promotion because of their favorable status. There is insufficient incentive for higher performance and dedication since there are insufficient rewards for excellence and insufficient penalties for bad efforts. To combat this "fudging of the system," reforms such as civil service exams, promotion exams, and various performance rating methods have been implemented. Unfortunately, despite being one of the least talked about secrets in government, employment abuses have remained a hidden problem for far too long.

That's not in line with the merit system's ideals, and it's happening all the time. Having a member of each of the 250 (or more) ethnic groups represented in every federal and state government department is an equally daunting, if not impossible, endeavor. However, its provisions are binding on all authorities and individuals across the Republic, making the Constitution the highest law. Sacrifices will need to be made, and people professionals will need to utilise their best judgment to avoid diluting merit as much as possible. Human resources theorists like Douglas McGregor argue that "economic" and "social" public companies need to institutionalise some of their principles in order to guarantee dedication, honesty, and commitment among their employees. Job openings should be publicised as much as possible, and the selection process should involve in-depth interviews and exams meant to unearth hidden talents and skills. The aim is to find someone who is a good fit for the role and who also has the knowledge, skills, and abilities necessary to do the work well. The best decision may be reached with

the help of some friendly competition, which this method provides. After an employee has been hired, they and their superiors should engage in goal-setting or some variation of Management by Objectives in order to define the overarching responsibilities of the position and the short- and long-term outcomes that are expected. During this time, management should take on more of a guiding role than a controlling one. The hope is that employees would be able to lead and regulate their own efforts toward the accomplishment of the goals of the business. Employees are more likely to stay dedicated to their positions when they have a hand in crafting their position's description, as opposed to having one written for them. The author proposes that, instead of the annual confidential reports employed by most government employers in the country, workers be reviewed on a more regular basis in accordance with the tasks they have been given. A subordinate might gain a lot of insight from analysing their own error if they do so when all the relevant information is still fresh in their mind. Waiting for a supervisor to fill out certain documents about his subordinate's performance in secret over the next twelve months can be detrimental. The best performance appraisal systems are those that are transparent, ongoing, and collaborative between superiors and employees without the former playing the role of judge. A further method to guarantee staff dedication is through efficient organisational communication. Managers of public organisations would do well to foster an atmosphere of open dialogue based on trust and a shared commitment to success. Satisfying workers' demands, allowing for lateral contact among peers in work groups, and encouraging members' involvement in organisational decision-making are all outcomes that can be attributed to effective communication. The management team should have a strong focus on the recipient, since this fosters honesty, loyalty, and cooperation. Similarly, crucial is making sure that everyone in the workplace is held to the same standards and that management doesn't have different expectations for different employees based on their appearance or gender. Management must not turn a blind eye to indiscretions or permit failures in discipline to go unpunished.

Since they will be competing in the private sector, which also places an emphasis on these practices, the "economic" firms will not be able to sidestep these issues. It's possible that "social" businesses will need to show some leeway every once in a while, in order to comply with the law. In any instance, the companies' chances of success hinge on the implementation of inspiring and actively encouraging programs for their employees. Personnel policies that can bring about dedication, honesty, and commitment include the aforementioned, as well as appealing employee remunerations and such other things that are beneficial to the operations of each type of organisation. More jobs will open up in the near future as a result of Nigeria's rapid economic growth, which is

driving a surge in the country's industrial output. If care is not taken, public servants will leave for private sector jobs, and the economy would suffer as a result. Managers in "economic" and "social" businesses should foster an atmosphere where their discretion is used to further the organisation's objective rather than for personal gain (Yeye, 1983).

### **1. Sources of Funding**

How to secure stable and generous financing for the conduct of the firms should be the primary priority of the Federal/state governments in the ongoing classification exercise. Businesses cannot be expected to accurately determine their annual budgets without a reliable source that is immune to political fluctuations. By "oil," the author almost certainly means the government's disproportionate reliance on that commodity. In the future, the trajectory of global crude oil prices will determine how much of a role this funding source plays in supporting state enterprises. There is little chance for oil wealth like that which the country experienced in the mid-1970s, if recent events are any indication. Having said that, the author is not completely oblivious to the government's continual endeavor to broaden the economy's base of support. Loans from specialised organisations like the Commonwealth Development Corporation and the World Bank are proposed as a supplement to the principal source by which capital funds are acquired for state companies. In particular, "economic" firms ought to be permitted to go to any acceptable extent to explore various sources of financing their initiatives. An examination of private equity (PE) data revealed that the company had a tough time raising capital from its stockholders. It's not that shareholders don't value PE's work; rather, it's because shareholder states have limited resources due to their many social and economic responsibilities. While PE still anticipates receiving some concessionary money from these states, the corporation has embraced the idea of commercial borrowing in the form of medium- or long-term financing. Every company needs to systematically factor in the topic of funding into their overarching business strategy. By pursuing projects that are attractive to foreign capital inflow, "economic" enterprises can strengthen their access to funding. However, they will have to compete with other countries for the investment dollars of foreign buyers who can choose to do business in developed nations instead, where the necessary "external economies" already exist, labor productivity is higher, and per capita national incomes are vastly higher, creating a ready market for a wide range of products and services. "Economic" businesses that want to succeed in today's market must master the techniques of effective commercial management. Furthermore, the things they produce should be of a sort and quality that shift the current demand away from imported goods and toward locally manufactured ones. An 'import-substitution' plan like this would do

more than just save money on imports; it would also be the first step in a process of economic diversification. Businesses labeled "economic" should be able to operate without any direct financial help from taxpayers in the long run. Their ultimate purpose is to bolster national and state budgets, and they should be able to do so. How to divide up the earnings made by "economic" firms is an extremely connected problem. It has been shown that the primary motivation for the establishment of NNDC was to facilitate the financing and promotion of the expansion of Northern states' industrial infrastructure. No plans have been publicly announced by the company's owner-governments to return any of the #50 million (about \$75 million) in issued capital. However, NNDC's profit distribution was laid out in detail in Articles 97 through 100 of the company's Memorandum and Articles of Association. Every year, the Board of Directors is tasked with deciding what percentage of profits should be distributed as dividends to stockholders. Each owner-state receives its share of the total value based on the number of shares it owns. It provides a reliable stream of income for the states, and they can use this "raw-cash" to fund other forms of public welfare. Since the ten governments of the Northern United States invested \$50 million in NNDC, the dividend is effectively partial repayment of that investment. The Board of Directors may also propose that the firm establish a "Reserve Fund" using a portion of the company's revenues for use "in the business of the company or be invested in such ventures.... as the Directors may from time-to-time judge proper."

Profits "which they may judge prudent not to split" may be retained at the Board's discretion. The new category of "economic" businesses should adopt these profit-sharing policies. In exchange for the government's financial involvement, they would have to pay back a portion of their profits to the government in the form of dividends. It makes sense that a portion of the income would be reinvested in the businesses or used for other purposes. In any instance, the agencies can aspire to become self-sustaining as a result of the increased money generated by the investments, even in "thin years" when neither government subsidies nor bank loans are available. The author believes that both types of businesses should prioritise investment in human capital development. This is covered extensively in a previous section of the text. It's not necessary to elaborate on the fact that Nigeria, like many other developing nations, suffers from a dearth of expertly trained technicians, managers, and other professionals. The author recommends that students make full use of Nigeria's existing educational infrastructure, with the exception of students interested in pursuing specialised courses that are not taught in the country. This is being done to lessen the massive financial burden. To focus on, and positively respond to, the demand for human resources will pay dividends that extend far beyond mere organisational efficiency or higher production.

Social good can be expected as a result in the long run. Beneficiaries may be required to sign bonds from sponsoring organisations before they can begin training if it is deemed essential. When a trainee graduates from school, this will be the legally binding minimum amount of time he must work for his company (Yeye, 1983).

## **2. Planning**

The management agreed with the common complaint that poorly defined goals and strategies are a major contributor to the ineffectiveness of public agencies in Nigeria. Given how carefully it has assessed itself on a regular basis and planned in accordance with the dictates of new circumstances, this organ can be called a model. In addition, PEs have a number of Committees that get together on a regular basis (once a week or once a month) to discuss and react to various socioeconomic and political events that occur in the country. The Committees are a credible authority on environmental issues. The Boards of Directors of "economic" businesses should prioritise the development of more effective planning mechanisms. Organisational self-appraisal processes should be in place to check periodically if goals are being achieved, and plans should account for the efficient use of locally sourced raw materials as inputs to the system. Every group exists for the sole purpose of completing some work or tasks that no individual could complete on their own. Therefore, planning is not just for "economic" businesses, but also for governmental bodies that provide services to the public. In both circumstances, the Boards shouldn't be the only people involved in planning; instead, senior management and any other staff members whose expertise is deemed valuable should be included as well. Until the so-called "economic" firms become financially independent of the government, government funding will continue to be the primary source of revenue for the businesses. For this reason, the government will determine the overarching goals of each company in light of the policies outlined in National Development Plans. The article's author suggests that boards of directors be put in charge of deciphering government goals and formulating operational plans for implementing agency policies within the context of the government's complete program. The Board of Directors is responsible for approving management's proposed agency budget and capital expenditures, as well as keeping tabs on the agency's progress toward its goals while working within its financial constraints. The Board is in the best position to direct and guide the management on areas of paramount significance, including setting time-bound targets for various tasks. The plan's implementation is, of course, up to the respective parastatal's management.

For the Board to make well-informed plan decisions and management to make sound operational decisions, there must be open lines of communication and mutual comprehension. Each company's CEO,

Secretary, and other top executives should attend Board meetings where issues under their purview are discussed. Once a strategy has been adopted, it has to be adhered to, and the Board needs current and accurate information from management to assure this adherence. Plans should include procedures for making adjustments as needed to reflect new information or developments. Finally, processes should be in place through internal and external auditing as well as agency accounting to ensure that plan implementation is in line with budgetary allocations. Questions like "what is our aim," "where are we now relative to our goal," "what does the future hold," and "how do we get there from here" go to the heart of the planning process. PEs has been able to address these crucial concerns by efficient planning and forecasting; other Nigerian public businesses ought to likewise do the same, to be successful (Yeye, 1983).

### Self-Assessment Exercise 2

List and Explain the Improving public enterprise performance in Nigeria



## 1.6 Summary

This unit discussed the history of the evolution of public enterprises in Nigeria.

Public sector reform in Nigeria predates the country's liberation from colonial rule, and every government in power there since then has understood that political freedom without economic freedom is a sham. As a result, Nigeria has spawned a wide range of public enterprises. There are businesses that provide a public good, like those that provide water or electricity; businesses that are primarily for profit, like airlines and railroads; businesses that focus solely on technology and science, like universities and their affiliated hospitals and research centers; and businesses that are in it for the money, like investment firms.

Establish public enterprises can evolve from three main types:

- 1) The departmental government enterprise;
- 2) The public corporation; and
- 3) The State-owned company.

### Departmental Government Agency

Departments within the government have taken on a wide range of new duties as a result of the proliferation of government activities. Public utilities like water distribution and mail delivery have typically been run

by departments or Boards of Directors as state-owned enterprises. This type of business is often established as a department inside one of the executive Ministries of government and receives its funding through an annual appropriation from the Treasury. Budget, financial, and audit controls common to other government agencies apply to the company as well.

### **Public Corporation**

Some commonalities between public enterprises in other nations, including Nigeria, were detailed in a United Nations report titled *Public Enterprise; A Study of its Organisation and Management in Various Countries*. These are the most distinguishing features: a. **Initiation:** a public corporation has its beginnings in a statute or a government ordinance that establishes its legal personality, grants it the authority to do business on behalf of the government, and details its management structure and relationship to other existing government agencies. b. **Legal Personality:** As a corporation, it has its own legal personality and can sue and be sued, make and enter into contracts, and hold property in its own name. c. **Source of Funds:** Appropriations to the Capital Fund, Borrowings from the Treasury or Commercial Banks, and Profits from the Sale of Products and/or Services are the most common ways in which a corporation acquires money to operate.

### **State owned Companies**

Commercial company structures are widely used across the world, with nations like Nigeria adopting them for situations in which the state collaborates with private businesses or forms a government-owned firm. The primary distinction between this business structure and a public corporation is one of formality and paperwork. State-owned companies, in contrast to public corporations, are created by the "Companies Decree" or the country's corporate law.

### **Motives & Purposes of the Establishment of Public Enterprise**

There are a number of underlying factors that make it practically inevitable that developing countries would have a sizable public enterprise sector. To begin, the rate of private capital production is likely insufficient for many uses. Therefore, in the sake of universal progress, government intervention is either a practical need or an irreducible need for endeavors that private investors are unwilling or unable to begin. Therefore, it is not unexpected that the public sector prefers to invest in railways and other essential public utilities like power and irrigation. The incapacity of private entrepreneurs to engage in certain economic activities that they view as having only marginal profit level is a further justification for government intervention in the form of national priorities in order to drive economic growth. Thirdly, foreign investment is typically hesitant or cautious to come to these nations to support

sectors due to political instability in emerging nations. The government creates a cooperation with the domestic private sector and wins over international investors as a show of good faith.

### **Improving public enterprise performance in Nigeria**

1. Autonomy & Control of Public Enterprises
2. Employee Motivation and Satisfaction

Dedication, honesty, and commitment

1. Sources of Funding
2. Planning



### **1.7 References/Further Reading/Web Resources**

Othman, M. (1977). "The Evolution of a Public Enterprise: A Case Study of New Nigeria Development Company Limited." Paper submitted in partial fulfillment of the requirements for the Post-Graduate Advanced Diploma in Public Administration, Ahmadu Bello University, Zaria, Nigeria, (June).

Yeye, E. A. (1983). Analysis of the Success of Public Enterprises in Nigeria: An Organisational Study of the New Nigeria Development Company. Scholar Works at University of Montana.



## 1.8 Possible Answers to SAEs

SAEs 1.

1. Public sector reform in Nigeria predates the country's liberation from colonial rule, and every government in power there since then has understood that political freedom without economic freedom is a sham. As a result, Nigeria has spawned a wide range of public enterprises. There are businesses that provide a public good, like those that provide water or electricity; businesses that are primarily for profit, like airlines and railroads; businesses that focus solely on technology and science, like universities and their affiliated hospitals and research centers; and businesses that are in it for the money, like investment firms

Establish public enterprises can evolve from three main types:

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- 2) The public corporation; and
- 3) the State-owned company.

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Departments within the government have taken on a wide range of new duties as a result of the proliferation of government activities. Public utilities like water distribution and mail delivery have typically been run by departments or Boards of Directors as state-owned enterprises. This type of business is often established as a department inside one of the executive Ministries of government and receives its funding through an annual appropriation from the Treasury. Budget, financial, and audit controls common to other government agencies apply to the company as well.

### **Public Corporation**

Some commonalities between public enterprises in other nations, including Nigeria, were detailed in a United Nations report titled *Public Enterprise; A Study of its Organisation and Management in Various Countries*. These are the most distinguishing features: a. Initiation: a public corporation has its beginnings in a statute or a government ordinance that establishes its legal personality, grants it the authority to do business on behalf of the government, and details its management structure and relationship to other existing government agencies. b. Legal Personality: As a corporation, it has its own legal personality and can sue and be sued, make and enter into contracts, and hold property in its own name. c. Source of Funds: Appropriations to the Capital Fund, Borrowings from the Treasury or Commercial Banks, and Profits from the Sale of Products and/or Services are the most common ways in which a corporation acquires money to operate

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**Motives & Purposes of the Establishment of Public Enterprise**

There are a number of underlying factors that make it practically inevitable that developing countries would have a sizable public enterprise sector. To begin, the rate of private capital production is likely insufficient for many uses. Therefore, in the sake of universal progress, government intervention is either a practical need or an irreducible need for endeavors that private investors are unwilling or unable to begin. Therefore, it is not unexpected that the public sector prefers to invest in railways and other essential public utilities like power and irrigation. The incapacity of private entrepreneurs to engage in certain economic activities that they view as having only marginal profit level is a further justification for government intervention in the form of national priorities in order to drive economic growth. Thirdly, foreign investment is typically hesitant or cautious to come to these nations to support sectors due to political instability in emerging nations. The government creates a cooperation with the domestic private sector and wins over international investors as a show of good faith.

**2. SAEs 2**

Improving public enterprise performance in Nigeria

1. Autonomy & Control of Public Enterprises
2. Employee Motivation and Satisfaction
3. Dedication, honesty, and commitment
4. Sources of Funding
5. Planning

## UNIT 2 CHARACTERISTICS OF PUBLIC ENTERPRISE

### Unit Structure

- 2.1 Introduction
- 2.2 Learning Outcomes
- 2.3 Characteristics of Public Enterprise
  - 2.3.1 Classification of Public Enterprises
  - 2.3.2 Creation of Public Enterprises
- 2.4 Reasons for the Creation of Public Enterprises
- 2.5 Summary
- 2.6 References/Further Reading/Web Resources
- 2.7 Possible Answers to Self-Assessment Exercise(s) within the content



### 2.1 Introduction

This unit introduces you to the characteristics, classification, creation and reasons for the establishment of public enterprises. This is to enable you fully comprehend the concept of public enterprises



### 2.2 Learning Outcomes

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

- state the different characteristics of public enterprises
- classify public enterprises
- discuss how public enterprises are created
- state reasons for the creation of public enterprises.



### 2.3 Characteristics of Public Enterprise

The main characteristics of public enterprises are:

- i. A public enterprise comes into existence as a result of an Act passed by the legislature or a decree under military rule. Public enterprise also defines its aims and objectives, powers and duties, immunities, the form of management and relationship with established departments and ministries.
- ii. It is a legal person, capable of suing and being sued, entering into contracts, acquiring and owing property in its own name and can also dispose of property than ordinary government departments.

- iii. It is wholly owned by the state.
- iv. Except for appropriations to produce capital or to cover losses, a public enterprise is usually independently financed. It obtains its funds from the treasury or the public and from revenues derived from the sale of goods and services. It is authorised to use and reuse its revenues.
- v. It is generally exempted from most regulatory and prohibitory statutes applicable to expenditure of public funds. There are no hard and fast rules behind them in the matter of making contracts of buying and selling works, etc. Thus, a great deal of liability and discretion is left for the management in the matter of procedure.
- vi. It is ordinarily not subject to the budget, account and audit laws and procedures applicable to government departments. Their audit is to be done by the Accountant-General of Nigeria or any other person appointed by him. However, both the accounts and audit are commercial in nature.
- vii. Excluding the offices taken from government departments on deputation, the employees of public corporations are not civil servants and are not governed by government regulations in respect of conditions of service. The recruitment is not subject to civil service rules, promotion is by seniority and personnel can be fired easily if they are incompetent.
- viii. Corporations are free from the control of the legislature (Ekhaton, 2002:168-169).

### **2.3.1 Classification of Public Enterprises**

Public enterprises are classified into three; namely public/statutory corporations, state-owned companies, and mixed economy enterprises. They are explained below:

**Public/Statutory Corporation** These are enterprises, which arise when the government assumes responsibility for the management of an economic or social pursuit through a special entity that has its own legal personality and still keeps some of the special prerogatives or privileges associated with a governmental organisation. The blend of these features is aimed at enabling the organisation to function effectively as an autonomous body while it remains an instrument of government policy. Enterprises that fall under statutory corporations

include Central Bank of Nigeria (CBN), Nigerian Television Authority (NTA), and Federal Radio Corporation of Nigeria (FRCN) among others.

**State Owned Companies** These are companies created by government under the provisions of ordinary company law, though they belong entirely to the government. They are registered in the registry of companies, with the government as the sole proprietor. Government, therefore, appoints the Board of Directors as is customary in private companies. Example of such companies includes New Nigeria Newspaper Ltd, New Nigeria Development Company Ltd., and Odua Investment Company Ltd.

**Mixed-Economy Enterprises** These are enterprises where the government is the majority shareholder in a partnership with private entrepreneurs. In such companies, government usually dominates the board since it is the major shareholder. One example of such enterprises is Peugeot Automobile Nigeria Ltd. (PAN) (Obikeze and Anthony, 2004:249-250)

### 2.3.2 Creation of Public Enterprises

The creation of a public enterprise raises some important legal issues. Whether a government is setting up a parastatal from scratch or is taking over ventures belonging to private interest, the choice of the legal status of the enterprises depends greatly on the prevailing constitutional and legal provisions on government intervention in business and on private property protection.

#### 1. Creating a Public Enterprise from Scratch

In a democratic setting, the primary responsibility lies with the legislature. This is to restrict individual rights and public liberties, as it affects free competition and whatever reduces the freedom to embark on an economic activity in a society that recognises private initiative must be backed by law.

**2. Taking over Private Business** The process of taking over private enterprises or transferring the ownership of private enterprises to government is called nationalisation. An enabling law is needed to effect such a transfer, which in some cases the enterprise being taken over is specifically mentioned in the law, but in other cases, some general criteria are indicated to delineate the activity or type of entities concerned.

**3. Dissolving a Public Enterprise** Public enterprise can be dissolved by liquidation, a transfer to private ownership (privatisation), or a merger with another public enterprise. In the last case, the executive arm of

government can handle this, but in other cases, an act of parliament is required (Adamolekun, 2002:31-32).

### **Self-Assessment Exercises 1**

- 1 list and explain two (2) characteristics of public enterprises
- 2 reasons for Creation of Public Enterprises

## **1.4 Reasons for the Establishment of Public Enterprises**

There are many reasons for the establishment of public enterprises. They are outlined below:

1. The desire to use the public enterprise as an instrument of effective plan implementation in a context where it appears futile to devise a development plan for the private sector
2. The need to secure economic independence.
3. The urgent desire to assure government control over "strategic" sectors of the economy (e.g., central banking, broadcasting, iron and steel, roads, shipping, etc.).
4. The need to separate some activities from the civil service and allow more autonomy in their running.
5. The perceived need to provide employment for the citizens in context where the private sector offers very limited employment opportunities.
6. The need to ensure state control of key profitable enterprises with a view to generating revenues that will add to available national capital for financing development programmes and projects.
7. The desire of some socialist-orientated regimes to use state control of key profitable enterprises to pursue the objectives of preventing the concentration of wealth or of the means of production and exchange in the hands of few individuals or of a group (i.e. promoting equitable distribution of wealth) (Obikeze and Anthony, 2004:253).

### **Self-Assessment Exercises 2**

Define Mixed-Economy Enterprises  
Public enterprises are classified into three; namely



## 1.6 Summary

The characteristics, classification, creation and reason for the establishment of public enterprises are discussed in this unit. This gives insight into how public enterprises are classified, their features methods, and reason for creating them

The eight characteristics of public enterprises were discussed and so the 3 types of public enterprises. Methods for creating public enterprises as well as reasons for their creation were analysed. This gives you further explanation on the concept of public enterprises



## 1.7 References/Further Reading/Web Resources

- Adamolekun, L. (2002). *Public Administration in Africa: A Nigeria and Comparative Perspective*. London: Longman.
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- Obikeze, O.S. & Anthony, O.E. (2004). *Public Administration in Nigeria: A Developmental Approach*. Onitsha: Book Point Ltd.



## 1.8 Possible Answers to SAEs

### Answers to SAEs 1(1)

- i. A public enterprise comes into existence as a result of an Act passed by the legislature or a decree under military rule. Public enterprise also defines its aims and objectives, powers and duties, immunities, the form of management and relationship with established departments and ministries.
- ii. It is a legal person, capable of suing and being sued, entering into contracts, acquiring and owing property in its own name and can also dispose of property than ordinary government departments.

### Answers to SAEs 1(2)

The creation of a public enterprise raises some important legal issues. Whether a government is setting up a parastatal from scratch or is taking over ventures belonging to private interest, the choice of the legal status of the enterprises depends greatly on the prevailing constitutional and legal provisions on government intervention in business and on private property protection

### Answers to SAEs 2(1)

These are enterprises where the government is the majority shareholder in a partnership with private entrepreneurs. In such companies, government usually dominates the board since it is the major shareholder. One example of such enterprises is Peugeot Automobile Nigeria Ltd. (PAN) (Obikeze and Anthony, 2004:249-250)

### Answers to SAEs 2(2)

- i. Public/Statutory Corporation
- ii. State Owned Companies
- iii. Mixed-Economy Enterprises

## UNIT 3 PROBLEMS OF PUBLIC ENTERPRISES

### Unit Structure

- 3.1 Introduction
- 3.2 Learning Outcomes
- 3.3 Problems of Public Enterprises
  - 3.3.1 Incompetent Management
  - 3.3.2 Government Interference
  - 3.3.3 Monopol
  - 3.3.4 Conflict of Objectives
- 3.4 Summary
- 3.5 References/Further Reading/Web Resources
- 3.6 Possible Answers to Self-Assessment Exercise(s)



### 2.1 Introduction

The problems of public enterprises in Nigeria are many and also varied. They include lack of proper objectives, uncoordinated development programmes, bad leadership, government interference, monopoly, inadequate infrastructure, conflict of objectives, among others. Some of these problems are discussed in this unit



### 2.2 Learning Outcomes

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

- identify problems of public enterprises
- identify incompetent management convergences
- explain government interference
- discuss the evils of monopoly
- discuss the conflict of objectives.



### 3.3 Problems of Public Enterprises

The fundamental problems of public enterprises are the defective capital structures, excessive bureaucratic control or intervention, inappropriate technology, gross incompetence, mismanagement, corruption and crippling complacency which monopoly engenders. Public enterprises equally serve as platforms for patronage and promotion of political objectives and therefore even when their managements have the will and the capability to work honestly, they will still suffer from operational interference by political appointees. Furthermore, most of the leadership of public enterprises in Nigeria is corrupt and they feel only accountable

to the political office holders who got them their jobs instead of serving public interest (Ejiofor, 1984:18).

### **3.3.1 Incompetent Management**

It is mandatory for the management of every organisation to carry out its organisational objectives. Hence, it is expected that the management would have the technical or managerial competence to do their duties. But in most of Nigeria's public enterprises, the management teams are not appointed on merit, rather appointments are considered on political connections or primordial reasons. Consequently, the appointees lack the necessary skills, expertise or experience, and the management may end up mismanaging the enterprises. Similarly, board members of public enterprises may not possess any requisite skills to perform their functions because they are politicians who are usually compensated for their political patronage or contribution. The Max Weber's assertion that candidates for position in organisations must be selected on the basis of technical qualifications is not adhered to in appointing both management and board members. This also results into recruitment and selection being based on emotive, primordial, and purely sentimental reasons. The effect of incompetent staff is gross inefficiency in their operations. Moreover, political instability and lack of continuity of developmental programmes affect public enterprises in Nigeria.

#### **Self-Assessment Exercises 1**

Explain the Problems of Public Enterprises  
Discuss the Incompetent Management

### **3.3.2 Government Interference**

With the limited autonomy granted public enterprises, they are expected to be free from the day-to-day bureaucratic bottleneck of the mainstream civil service and government. In reality, however, political office holders regard public enterprises as their "property" and frequently interfere in their affairs. Ministers and/or commissioners who are managers of ministries of public enterprises interfere in issues normally within the jurisdiction of the board or management of political or personal reasons. Consequently, their interference could lead to distortion of policies, corruption, and overstaffing of public enterprises which often accounts for their inefficiency.

### 3.3.3 Evil of Monopoly

Most public enterprises operate as monopolies and are therefore faced with the same problems which afflict monopolies. Since monopolies do not have competitors, they don't take the challenge to either innovate or offer better services seriously. This is because they know that their customers have no alternative. Competitive market promotes efficiency since there are always options to choose from.

### 3.3.4 Conflict of Objectives

While public enterprises are established to provide essential services as a public utility, they are also expected to make profit as a business outfit. These twin objectives are contradictory and have been the main reason for non-performance of public enterprises. For example, despite political interference from government at the expense of economic rationality, public enterprises are still expected to make profits. Economic and political rationalities are hardly compatible (Obikeze and Anthony, 2004:257 and 258).

#### Self-Assessment Exercises 2

Explain the Government Interference in public enterprise in Nigeria  
Explain the Monopoly in public enterprise in Nigeria



### 3.6 Summary

We have discussed the problems of public enterprises in Nigeria in this unit. Such problems include: incompetent management, government interference, monopoly and conflict of objectives. From this unit, you should have deduced the reason for the non-performance of public enterprises, especially in Nigeria.

The problem of hindering the performance of public enterprises varies from one place to another. The basic ones however are the political office holders' interference, corruption, inefficiency, bad leadership, among others. Public enterprises are also expected to make profit but government interference does not allow operating efficiently. Most demands of government officials from public enterprises management contradict their set up objectives but since they are government organisations, they have no option than to obey, though at public expense



### **3.7 References/Further Reading/Web Resources**

Ejiofor, P.N.O. (1984). "Making Our Organisations Perform." Anambra State Public Service Lecture. Enugu: Government Printer.

Obikeze, S.O. & Obi, E. A. (2004). Public Administration in Nigeria: A Development Approach. Onitsha Book Point Ltd



### 3.8 Possible Answers to SAEs

Answers to SAEs 1

#### 1. Problems of Public Enterprises

The fundamental problems of public enterprises are the defective capital structures, excessive bureaucratic control or intervention, inappropriate technology, gross incompetence, mismanagement, corruption and crippling complacency which monopoly engenders. Public enterprises equally serve as platforms for patronage and promotion of political objectives and therefore even when their managements have the will and the capability to work honestly, they will still suffer from operational interference by political appointees.

#### 2. Incompetent Management

It is mandatory for the management of every organisation to carry out its organisational objectives. Hence, it is expected that the management would have the technical or managerial competence to do their duties. But in most of Nigeria's public enterprises, the management teams are not appointed on merit, rather appointments are considered on political connections or primordial reasons. Consequently, the appointees lack the necessary skills, expertise or experience, and the management may end up mismanaging the enterprises.

Answers to SAEs 2

#### Government Interference

With the limited autonomy granted public enterprises, they are expected to be free from the day-to-day bureaucratic bottleneck of the mainstream civil service and government. In reality, however, political office holders regard public enterprises as their "property" and frequently interfere in their affairs. Ministers and/or commissioners who are managers of ministries of public enterprises interfere in issues normally within the jurisdiction of the board or management of political or personal reasons.

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## UNIT 4 MANAGEMENT OF PUBLIC CORPORATIONS

### Unit Structure

- 4.1 Introduction
- 4.2 Learning Outcomes
- 4.3 Management Public Corporations
  - 4.3.1 Advantages of Public Corporation
  - 4.3.2 Limitations of Public Corporation
- 4.5 Control of Public Corporations
- 4.6 Summary
- 4.7 References/Further Reading/Web Resources
- 4.8 Possible Answers to Self-Assessment Exercise(s)



### 4.1 Introduction

The management and control of public corporations are necessary in order to have effective and efficient public enterprises. The techniques therefore would be explained to you in this unit.



### 4.2 Learning Outcomes

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

- explain the management public corporations
- explain the control mechanisms employed by government in controlling public corporations.



### 4.3 Management Public Corporations

The management of public corporations is done through the management boards and the policy board. The Management of Public Corporations has some silent features such as

1. Public corporations can sue and also be sued in the courts of law and thus have their own name and legal personality.
2. It is created by an Act of Parliament which also defines the scope of its activities. It also defines the powers, privileges and immunities of its members.
3. Public corporation is wholly owned by the government and the entire equity capital is held in the name of the government.
4. The corporations usually have considerable autonomy in shaping their policies. These have also sufficient financial independence. But at the same time general principles and policies are laid down and decided by the government.

5. The management of the corporation is appointed by the government. Generally, a Board is nominated to manage public corporations.
6. Public corporation is generally not subject to budgetary accounting and audit-controls applicable to government department.
7. The objective of public corporation is to provide goods and services to the people at reasonable prices.

### **4.3.1 Advantages of Public Corporation**

A public corporation has the following advantages:

1. Public corporations have complete freedom regarding their internal management. They can set their own goals and can decide their own line of action. They can devise their own programmes and policies.
2. Public corporation is generally not subject to budgetary accounting and audit-controls applicable to government department.
3. The management of the corporation is appointed by the government. Generally, a Board is nominated to manage public corporations.
4. The objective of public corporation is to provide goods and services to the people at reasonable prices.
5. The management of public corporations, being in the hands of experienced and competent persons, is more efficient than that of government department. Public corporations are free to employ persons according to their own requirements.
6. It is generally not subject to budget, accounting and audit controls applicable to the government department and thus, public corporation is at freedom to utilise its funds.

### **4.3.2 Limitations of Public Corporation**

**Despite many advantages, public corporations suffer from the following limitations or weaknesses:**

1. Public corporations are created under some Act of Parliament. Any change in the sphere of activities of the corporations involves an amendment in the particular Act. It is difficult and takes more time
2. Autonomy and flexibility which are the main features of public corporations have remained on paper only. All-important policies are decided with government approval and the management is also appointed by the government. The corporations, therefore, have no real freedom in their working. Consequently, the smooth working of the public corporations is disturbed. So public corporations exercise limited autonomy.

3. Public corporations may indulge in anti-social activities. They may charge higher prices from the consumers or may supply them goods of inferior quality to make up their inefficiency because of the monopoly enjoyed by them.
4. Though public corporations are autonomous bodies, still they are controlled by the government. Public Accounts Committee and Auditor and Comptroller General of India exercise control on public corporations.
5. These corporations are suitable only for organising very big state enterprises and not suitable for small enterprises (Sindhu, 2021)

#### 4.4 Ways of Managing Public Corporation

1. **The Executive Board** In the executive board, majority of members of the board are staff of the same organisation. They are usually the heads of the various departments of the organisation. However, a few outside representatives are brought in to represent some outside interest. For example, the Nigerian Railway Authority is an example of public utility that has an executive board.
2. **The Policy Board Majority** of the members of the policy board are from outside the organisation with few members from within the organisation. The policy board is responsible for managing all the policy decisions of the organisation, but the implementation of policies and the day-to-day operation of the organisation are carried out by the managing director. This method is applied to most public corporations in Nigeria (Ujo, 1994: 82).

#### Self-Assessment Exercises 1

Outline the basic silent features in the Management of Public Corporations  
Mention and Explain the Advantages of Public Corporation

#### 4.5 Control of Public Corporations

Even though public corporations are created to enable them have some degree of freedom to manage their affairs, they are still subject to various levels of control.

1. **Ministerial Control** The supervising minister controls the public corporations under his or her ministry in the following ways.
2. **By the Appointment of Board Members** Since the minister is politically responsible for appointing members of the board, he can dissolve it if he is not satisfied with their performance.
3. **Through Direction** The minister ensures that public corporations satisfy the public interest they are created to serve and this is done by giving occasional directives, which the corporation must obey.
4. **Giving Specific Controls** Some form of specific controls may be exercised by the minister on public corporations under his ministry. These controls may include the appointment of external auditors to audit the account of public corporations, reorganisation of departments, and controls on borrowing.
5. **Parliamentary Control** The parliamentary control is necessary to ensure that the operation of public corporations is in accordance with public policy. Such controls include the following:
  6. **Through Annual Report** Public corporations are expected to submit comprehensive annual reports of their activities to the parliament through the minister and such reports are to be tabled in the parliament.
  7. **Through Annual Report** A public corporation is required by law to submit to the parliament its annual account for a given financial year.
  8. **Through Debates** Both annual accounts and reports submitted by public corporations to the parliament are subject to debate in the parliament. Such debates are done within the policy framework of the corporations.
  9. **Through Financial Committees** The Senate House Committee on Finance may summon the minister or chief executive of a particular public corporation to explain or discuss issues concerning his corporation (Akpan, 1882 : 63)

### Self-Assessment Exercises 2

<b>List and Explain the Control of Public Corporations</b>
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## 4.6 Summary

In this unit you have learned the management of public corporations as well as their control techniques. Specific management methods (executive and policy boards) were discussed. Furthermore, controls through ministerial and parliamentary systems were also analysed.

Control of public corporations is necessary to compel them to provide the services they are created to provide in the public interest. These controls could be done through management mechanisms or outright control of public corporations in accordance with the laws establishing them.



## 4.7 References/Further Reading/Web Resources

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## 4.8 Possible Answers to SAEs

### Answers to SAEs 1

1. The Management of Public Corporations has some silent features such as 1. Public corporations can sue and also be sued in the courts of law and thus have their own name and legal personality.
2. It is created by an Act of Parliament which also defines the scope of its activities. It also defines the powers, privileges and immunities of its members.
3. Public corporation is wholly owned by the government and the entire equity capital is held in the name of the government.
4. The corporations usually have considerable autonomy in shaping their policies. These have also sufficient financial independence. But at the same time general principles and policies are laid down and decided by the government.
5. The management of the corporation is appointed by the government. Generally, a Board is nominated to manage public corporations.
6. Public corporation is generally not subject to budgetary accounting and audit-controls applicable to government department.
7. The objective of public corporation is to provide goods and services to the people at reasonable prices.

### 2. Advantages of Public Corporation

A public corporation has the following advantages:

1. Public corporations have complete freedom regarding their internal management. They can set their own goals and can decide their own line of action. They can devise their own programmes and policies.
2. Public corporation is generally not subject to budgetary accounting and audit-controls applicable to government department.
3. The management of the corporation is appointed by the government. Generally, a Board is nominated to manage public corporations.
4. The objective of public corporation is to provide goods and services to the people at reasonable prices.
5. The management of public corporations, being in the hands of experienced and competent persons, is more efficient than that of government department. Public corporations are free to employ persons according to their own requirements.

**Answers to SAEs 2****Control of Public Corporations**

Even though public corporations are created to enable them have some degree of freedom to manage their affairs, they are still subject to various levels of control.

1. **Ministerial Control** The supervising minister controls the public corporations under his or her ministry in the following ways.
2. **By the Appointment of Board Members** Since the minister is politically responsible for appointing members of the board, he can dissolve it if he is not satisfied with their performance.
3. **Through Direction** The minister ensures that public corporations satisfy the public interest they are created to serve and this is done by giving occasional directives, which the corporation must obey.
4. **Giving Specific Controls** Some form of specific controls may be exercised by the minister on public corporations under his ministry. These controls may include the appointment of external auditors to audit the account of public corporations, reorganisation of departments, and controls on borrowing.
5. **Parliamentary Control** The parliamentary control is necessary to ensure that the operation of public corporations is in accordance with public policy. Such controls include the following:

## **UNIT 5 THE PERFORMANCE OF PUBLIC ENTERPRISES IN NIGERIA**

### **Unit Structure**

- 5.1 Introduction
- 5.2 Learning Outcomes
- 5.3 The Performance of Public Enterprises in Nigeria
- 5.4 Probes and Commissions of Inquiry into Public Enterprises in Nigeria
- 5.5 Summary
- 5.6 References/Further Reading/Web Resources
- 5.7 Possible Answers to Self-Assessment Exercise(s)



### **5.1 Introduction**

It is a fact that most public enterprises in Nigeria have performed below expectations. They have become inefficient as epitomised by the epileptic services they render to the public. The poor performance led to some probes and commissions of inquiry into the services of affected public enterprises in Nigeria. The aspects are discussed in this unit.



### **5.2 Learning Outcomes**

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

- assess the performance of public enterprises in Nigeria
- discuss probes and commissions of inquiry into public enterprises
- discuss government's efforts in public enterprises.



### **5.3 The Performance of Public Enterprises in Nigeria**

Over the years the government has pumped in a lot of money into public enterprises in Nigeria. However, instead of improving their services, most of them seemed to be retrogressing and became drain pipes on the economy without making any meaningful contribution to the nation's economy development through service delivery (Obikeze and Obi, 2003: 41). Virtually all public enterprises in Nigeria render epileptic and unsatisfactory service to the people. Commenting on the issue of inefficiency of public enterprises on Nigeria, the Director-General Bureau of Public Enterprises, Alhaji Ahmed El-Rufai stated that "One needs to review the level of coverage and inefficiency of our utilities measured against what they draw, directly or indirectly from the federal

treasury for this point to be irrevocably settled.” (Obikeze and Obi, 2003:42). Fubara (1983:16) said the performance of public enterprises in Nigeria was low because: “In most government owned companies, government determined the financial pricing and distribution policies. And various competing extraneous authorities like the head of government, the chairman of the ruling party, the ministry of finance and the controlling ministry all influence decision of the board, and therefore, keep the chief executive on his toes trying to manipulate their influence 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. Here lies the problem of government companies and their inability to perform efficiently.” It is in view of the above reasons that returns on investments of public enterprises has been very poor. In 2002, El-Rufai said that: “These public enterprises consumed over one-third of all the money we made from the sale of oil since 1973. Estimates of the Vision 2010 committee indicate that federal government investments on public enterprises stood at over US\$100 billion in 1996. The return on this investment averaged less than 0.5 percent per annum (Obikeze and Anthony, 2004:255).”

### **Self-Assessment Exercises 1**

Discuss the Performance of Public Enterprises in Nigeria

### **5.4 Probes and Commissions of Inquiry into Public Enterprises in Nigeria**

Due to problems faced by public enterprises in Nigeria in the recent past, which included corruption, inefficiency and poor management, the Nigerian government attempted to solve these problems by taking certain steps. A commission was set up under Michael Ani to look into the problems of public corporations and make appropriate recommendations. The Ani Commission had recommended that the responsibility for personnel matters be removed from the boards and entrusted to an independent body to be called the Statutory Corporation Service Commission (SCSC). The recommendation was implemented at both the federal and state levels. However, after its review in the early 1970s, the Udoji Commission recommended that it should be abolished. The government accepted the recommendation and SCSC was eventually abolished. The second option to solve the problem of public corporations in the Nigeria by the government was to invite foreign management consultants to manage some of them. In 1979, the federal government brought into the country some experts to manage public corporations. A two-year management services agreement was signed between the federal government and Rail India Technical and Economic

Services Corporation (RITES) for the management of Nigerian Railways Corporation. Another agreement was signed with the Metallurgical Engineering Consultants of India (MECON) to manage the Nigerian Steel Authority. The government later terminated these agreements and reverted to the previous methods of management (Ujo: 1994: 84)

### **Self-Assessment Exercises 2**

Discuss the Probes and Commissions of Inquiry into Public Enterprises in Nigeria



## **5.6 Summary**

In this unit, we had discussed the performance of public enterprises in Nigeria and realised that it is low. In view of this fact, government signed few agreements and commission of inquiry to probe their activities which later came up with some recommendations and were accepted by government but eventually dropped because of lack of positive effect.

From the analysis of the various problems threatening the effective performance of the public enterprises in Nigeria, it is clear that only government support, because of the social objectives, has enabled some of these enterprises to survive till now



## **5.7 References/Further Reading/Web Resources**

- Fubara, B.A. (1983). *Government in Business Management in Nigeria*. Lagos: Spectrum.
- Obikeze, S. A. & Obi, E. A. (2003). *Government and Power of Nigeria: The Struggle for Power in an African Stage*. Onitsha Book Point Ltd.
- Ujo, A. A. (1994). *Understanding Public Administration*. Kaduna: SOLMARA Ventures Ltd.



## **1.8 Possible Answers to SAEs**

### **1. Answers to SAEs 1**

#### **The Performance of Public Enterprises in Nigeria**

Over the years the government has pumped in a lot of money into public enterprises in Nigeria. However, instead of improving their services, most of them seemed to be retrogressing and became drain pipes on the economy without making any meaningful contribution to the nation's economy development through service delivery (Obikeze and Obi, 2003: 41). Virtually all public enterprises in Nigeria render epileptic and unsatisfactory service to the people. Commenting on the issue of inefficiency of public enterprises on Nigeria, the Director-General Bureau of Public Enterprises, Alhaji Ahmed El-Rufai stated that "One needs to review the level of coverage and inefficiency of our utilities measured against what they draw, directly or indirectly from the federal treasury for this point to be irrevocably settled." (Obikeze and Obi, 2003:42). Fubara (1983:16) said the performance of public enterprises in Nigeria was low because: "In most government owned companies, government determined the financial pricing and distribution policies.

### **Answers to SAEs 2**

#### **1. Probes and Commissions of Inquiry into Public Enterprises in Nigeria**

Due to problems faced by public enterprises in Nigeria in the recent past, which included corruption, inefficiency and poor management, the Nigerian government attempted to solve these problems by taking certain steps. A commission was set up under Michael Ani to look into the problems of public corporations and make appropriate recommendations. The Ani Commission had recommended that the responsibility for personnel matters be removed from the boards and entrusted to an independent body to be called the Statutory Corporation Service Commission (SCSC). The recommendation was implemented at both the federal and state levels. However, after its review in the early 1970s, the Udoji Commission recommended that it should be abolished. The government accepted the recommendation and SCSC was eventually abolished. The second option to solve the problem of public corporations in the Nigeria by the government was to invite foreign management consultants to manage some of them.

## MODULE 2

- Unit 1 Privatisation and Commercialisation of Public Enterprises
- Unit 2 Organisation
- Unit 3 Analysis of Organisation
- Unit 4 Civil Service
- Unit 5 Features and Functions of Civil Service

### UNIT 1 PRIVATISATION AND COMMERCIALISATION OF PUBLIC ENTERPRISES

#### Unit Structure

- 1.1 Introduction
- 1.2 Learning Outcomes
- 1.3 Privatisation of Public Enterprises
- 1.4 Commercialisation
- 1.5 Summary
- 1.6 References/Further Reading/Web Resources
- 1.7 Possible Answers to Self-Assessment Exercise(s)



#### 1.1 Introduction

Privatisation is premised on the fact that business should be left for those who are better qualified to handle them, which is the private sector, while the government concentrates on its core duty of governance. Governance in this sense entails law making, law implementation and adjudication. Government involvement in business takes the form of regulation and it does this through its agencies. However, in a contest where the referee is grossly incompetent, biased or both, then a fair result will not be expected. According to Anyanwu (1993:16), government regulates business in order to among other things “achieve public policy objectives of financial stability, high economic growth, stable prices, full employment, levels of output and equilibrium, balance of payments position.” Thus, privatisation without adequate regulatory agencies and measures will mean allowing ‘laissez-faire’ attitude pervade the economy and this may lead to economic disorder and chaos. For example, businessmen, driven by the pursuit of profit, employ both ethical and unethical means. It is

only law that will restrain their activities thereby protecting the people, business and society in general (Obiajulus and Obi, 2004:273)



## 1.2 Learning Outcomes

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

- state the meanings of privatisation and commercialisation
- state how privatisation affects citizens and the economy
- discuss the effects of commercialisation on public enterprises.



## 1.3 Privatisation of Public Enterprises

In the Nigerian context, privatisation involves the disposal of all part of shares held by the government directly or through any of its agencies in the concern under consideration to carry on business. In other words, privatisation involves the sale of government shareholdings in enterprises to non-governmental entities (institutions or individuals). The Nigerian economy is non-cultural – being dependent on petroleum for over 90% of its earnings from the rest of the world. This is like putting one's eggs in one basket. Thus, the so-called structural adjustment programme of government aims at correcting this defect in the commercialisation of some of our public enterprises, had been put in place with the hope that they would bring about desired structural changes. In July 1988, the Federal Military Government promulgated Decree No. 25, (Privatisation and Commercialisation Decree) which gave a legal backing to the execution of the privatisation and commercialisation programme in Nigeria.

### 1.3.1 The objectives of Privatisation

The objectives of the programme are:

- (i) To re-orientate the enterprises for privatisation and commercialisation towards a new horizon of performance improvement, viability and overall efficiency.
- (ii) To develop the capital market.
- (iii) To restructure the capital of affected enterprises in order to facilitate good management and access to capital market.
- (iv) To restructure and rationalised the public sector in order to lessen the dominance of unproductive investments in that sector.
- (v) To ensure positive returns on public sector investments in commercialise enterprises.
- (vi) To check the present absolute dependence on the treasury for the funding by otherwise commercially oriented parastatals, and encourage their approach to the capital market.

- (vii) To initiate the process of gradual cession to the private sector of such public enterprises which, by their nature and type of operations, are best performed by the capital market.
- (viii) To promote wide share ownership. The decree provides for the establishment of the Technical Committee on Privatisation and Commercialisation (TCPC) which is vested with the responsibility of implementing the programme. Details of the duties of the committee are spelt out in Sections 54 (1) and (2) of Decree 25 of July 1988
- (ix)

### **Self-Assessment Exercises 1**

Explain the concept of Privatisation of Public Enterprises  
Identify the objectives of Privatisation

## **1.4 Commercialisation**

Commercialisation is the re-organisation of enterprises wholly or partly owned by the government in which such commercialised enterprises shall operate as profit making commercial ventures and without subvention from the government.

### **1.4.1 Objectives of Commercialisation**

The objectives of commercialisation programme are:

- (i) To restructure and rationalise public enterprises to ensure an effective, cost conscious, and goal-oriented management and staff whose future is linked with the fortunes of the organisation they operate.
- (ii) To undertake a comprehensive review of the accounting and management information system of the parastatals with a view to installing and maintaining modern and effective accounting systems which will produce promptly the necessary data for monitoring their financial and operational performance.
- (iii) To re-orient the enterprises for commercialisation towards a new horizon of performance improvement, viability and overall efficiency: through the enforcement of strict commercial principles and practices.
- (iv) To check the present absolute dependence on the treasury for funding the otherwise commercially viable parastatals through a more realistic capital structure which will enable them approach the capital market to fund their operations without government guarantees.

### 1.5 Commercialisation in Nigeria began in 1990

- a. Use of financial resources
- b. Profitability
- c. Development of its functional strengths and elimination of its weakness
- d. Product/service range

Human resources and organisation Problems of commercialisation include:

- i. Policy environment (not being conducive)
- ii. Special privileges to some groups (negating the objectives of the programmes)
- iii. Capital markets (not being able to cope) social costs (labour unions objecting)
- iv. Inadequacy of preparation (TCPC coping
- v. Administrative capacity (training may help)
- vi. Transparency of the process (enlightenment campaign)
- vii. Other forms of privatisation (e.g., contract)
- viii. Measures for improving those that remain (important, may be neglected)
- ix. Investment of proceeds. For the commercialisation programme in particular, success requires that more attention be paid to the issues of the rate of return, profit, the role of boards of debtors and management capacity (Sexty, 1985:60)

### Self-Assessment Exercises 2

Define commercialisation  
identity the commercialisation



### 1.6 Summary

Privatisation means government selling part or whole shares owned by it in public enterprises to individuals or institutions. Commercialisation, on the other hand, refocuses public enterprises for profit making.

Privatisation and commercialisation are discussed in this unit to enable you know their advantages and disadvantages to public enterprises in Nigeria.



### **1.7 References/Further Readings/Web Resources**

Anyanwu, J.C. (1993). *Monetary Economics: Theory Policy and Institutions*. Onitsha: Flybird Publishers Ltd.

Obiajulu, S.O. & Obi, E.A.C. (2004). *Public Administration in Nigeria: A Development Approach*. Onitsha: Book Point Ltd.

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## 1.8 Possible Answers to SAEs

### 1. Privatisation of Public Enterprises

In the Nigerian context, privatisation involves the disposal of all part of shares held by the government directly or through any of its agencies in the concern under consideration to carry on business. In other words, privatisation involves the sale of government shareholdings in enterprises to non-governmental entities (institutions or individuals). The Nigerian economy is non-cultural – being dependent on petroleum for over 90% of its earnings from the rest of the world. This is like putting one's eggs in one basket. Thus, the so-called structural adjustment programme of government aims at correcting this defect in the commercialisation of some of our public enterprises, had been put in place with the hope that they would bring about desired structural changes. In July 1988, the Federal Military Government promulgated Decree No. 25, (Privatisation and Commercialisation Decree) which gave a legal backing to the execution of the privatisation and commercialisation programme in Nigeria

1. The objectives of the programme are:
  1. To re-orientate the enterprises for privatisation and commercialisation towards a new horizon of performance improvement, viability and overall efficiency.
  2. To develop the capital market.
  3. To restructure the capital of affected enterprises in order to facilitate good management and access to capital market.
  4. To restructure and rationalised the public sector in order to lessen the dominance of unproductive investments in that sector.
  5. To ensure positive returns on public sector investments in commercialise enterprises.
  6. To check the present absolute dependence on the treasury for the funding by otherwise commercially oriented parastatals, and encourage their approach to the capital market.

### Answer to SAEs 2

#### 1. Commercialisation

Commercialisation is the re-organisation of enterprises wholly or partly owned by the government in which such commercialised enterprises shall operate as profit making commercial ventures and without subvention from the government.

#### 2. Objectives of Commercialisation

The objectives of commercialisation programme are:

1. To restructure and rationalise public enterprises to ensure an effective, cost conscious, and goal-oriented management and staff

whose future is linked with the fortunes of the organisation they operate.

2. To undertake a comprehensive review of the accounting and management information system of the parastatals with a view to installing and maintaining modern and effective accounting systems which will produce promptly the necessary data for monitoring their financial and operational performance.
3. To re-orient the enterprises for commercialisation towards a new horizon of performance improvement, viability and overall efficiency: through the enforcement of strict commercial principles and practices.
4. To check the present absolute dependence on the treasury for funding the otherwise commercially viable parastatals through a more realistic capital structure which will enable them to approach the capital market to fund their operations without government guarantees

## UNIT 2 ORGANISATION

### Unit Structure

- 2.1 Introduction
- 2.2 Learning Outcomes
- 2.3 Meaning of Organisation
- 2.4 Concept of Organisation
- 2.5 Characteristics of Organisation
- 2.6 Summary
- 27 References/Further Reading/Web Resources
- 2.8 Possible Answers to Self-Assessment Exercise(s) within the content



### 2.1 Introduction

Organisation is the most significant and integral part of administration. Without proper organisation, administration is not possible. Administration involves cooperative effort by a number of persons to achieve certain objectives. It is a clear fact that a number of persons must be organised so as to achieve the desired goal. They should work towards the same goal. This is possible with the existence of an organisational structure wherein their energies are directed towards a common goal. Thus, organisation is prior to every administrative action for no administrative action can be implemented without an organisation. In view of the above facts, our discussion will focus on the following themes: meaning, characteristics, and analysis of organisation (Ekhaton, 2003:149).



### 2.2 Learning Outcomes

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

- define the meaning of organisation
- state characteristics of organisation.



### 2.3 Meaning of Organisation

The word 'organisation' is used to denote the construction of the organisation or the result of the administrative structure. Organisation should, therefore, mean only 'designing' the administrative machine. Urwick (1944), defines organisation as "determining what activities are

necessary to any purpose and arranging them in groups which may be assigned to individuals.” Other definitions given by various scholars are as follows: “Organisation is the form of every human association for the attainment of a common purpose” (Mooney 1947). “Organisation is the arrangement of personnel for facilitating the accomplishment of some agreed purpose through allocation of functions and responsibilities” (White 1948). Organisation structure is a pattern of interrelated posts connected by line of delegated authority. “Organisation is the formal structure of authority through which work sub-divisions are arranged, defined and coordinated for the defined objectives” (Gulick, 1937).

### Self-Assessment Exercises 1

Meaning of Organisation
-------------------------

## 2.4 Concept of Organisation

However, in common usage the term organisation means the act of putting things in working order. In public administration this term is used in three different ways. In the first place, it is used as the act of designing the administrative structure in such a way that Mr. “X” is seen as a great organising leader. In the second sense, it is used as designing and building the structure. In the third sense, the term refers to administrative structure itself, as when we speak of the organisation of the government of Japan, USA and UK. Some thinkers like Urwick confine the use of the term ‘organisation’ to the first meaning. But many other thinkers, like Gladden, Pfiffner, Simon, etc. do not approve of this view and are of the opinion that Urwick has missed the human aspect of organisation (Ekator, 2003:149-150)

## 2.5. Characteristics of Organisation

Most organisations possess certain basic characteristics. According to Spiers (1975), there are five basic characteristics of an organisation. These are:

- i. **Membership:** Most organisations comprise of a group of persons. Spiers writes that in the case of organisations, knowledge of belonging is a necessary criterion, and membership is nearly always voluntary, in that people are free to withdraw. He mentioned certain exceptions, e.g., the state, or enforced membership of a military organisation.
- ii. **Organisations are consciously purposive:** Organisations are there to do something positive for their members, for society, or for both. Political parties contest elections and try to get control of government, business organisations produce goods, religious

organisations save souls and minister to people's spiritual needs, etc.

- iii. **Formal structure:** A very prominent feature of organisational life is the phenomenon of formal structure. Formal structure means the definition of functions in an organisation and their arrangement into a total pattern. According to Spiers, the essence of formalism is that functions are defined primarily in relation to one another and persons are considered as fulfilling these functions
- iv. **Value system or Ideology:** Spiers argues that all organisational life implies some reasonably coherent value system. The existence of such ideologies is equally observable in administrative and the political sphere. These ideologies affect the life and structure of organisations.
- v. **Corporate status:** Organisations almost always have some legal status by which they can be treated as social and legal entities, irrespective of the persons who might be said to inhabit them (Ekhtator, 2003: 151).

## Self-Assessment Exercises 2

### 1. List and Explain the Characteristics of Organisation



## 2.6 Summary

The importance of organisation in administration is discussed as well as its meaning and features. Without organisation, nothing works out fine. More analysis of organisation shall be made in the next unit. Organisation means the act of putting things in working order and is prior to any administrative action, hence, its definition, meaning and features are discussed in this unit



## 2.7 References/Further Reading/Web Resources

Ekhtator, V.E. (2003). Rudiments of Public Administration. Kaduna: Joyce Graphic Printers & Publishers.

Gulick, L & Urwick, L. (1937). Paper on Science of Administration. Canada: Methuen Publishers.

Mooney, J. D. (1947). Principles of Organisation. New York: Haper and Brother.

Urwick, L. (1944). *Elements of Administration*. New York: Haper and Row.

White, L.D. (1948). *Introduction to the Study of Public Administration*. New York: Macmillan.



## 2.8 Possible Answers to SAEs

### Answers to SAEs 1

1. Organisation' is used to denote the construction of the organisation or the result of the administrative structure. Organisation should, therefore, mean only 'designing' the administrative machine.
2. **Concept of Organisation**  
However, in common usage the term organisation means the act of putting things in working order. In public administration this term is used in three different ways. In the first place, it used as the act of designing the administrative structure in such a way that Mr. "X" is seen as a great organising leader

### Answers to SAEs 2

#### 1. Characteristics of Organisation

Most organisations possess certain basic characteristics. According to Spiers (1975), there are five basic characteristics of an organisation. These are:

**Membership:** Most organisations comprise of a group of persons. Spiers writes that in the case of organisations, knowledge of belonging is a necessary criterion, and membership is nearly always voluntary, in that people are free to withdraw. He mentioned certain exceptions, e.g., the state, or enforced membership of a military organisation.

**Organisations are consciously purposive:** Organisations are there to do something positive for their members, for society, or for both. Political parties contest elections and try to get control of government, business organisations produce goods, religious organisations save souls and minister to people's spiritual needs, etc.

**Formal structure:** A very prominent feature of organisational life is the phenomenon of formal structure. Formal structure means the definition of functions in an organisation and their arrangement into a total pattern. According to Spiers, the essence of formalism is that functions are defined primarily in relation to one another and persons are considered as fulfilling these functions

**Value system or Ideology:** Spiers argues that all organisational life implies some reasonably coherent value system. The existence of such ideologies is equally observable in administrative and the political sphere. These ideologies affect the life and structure of organisations.

**Corporate status:** Organisations almost always have some legal status by which they can be treated as social and legal entities, irrespective of the persons who might be said to inhabit them (Ekhaton, 2003: 151).

## UNIT 3 ANALYSIS OF ORGANISATION

### Unit Structure

- 3.1 Introduction
- 3.2 Learning Outcomes
- 3.3 Analysis of Organisation
- 3.4 Types of Organisation
- 3.6 Summary
- 3.7 References/Further Reading/Web Resources
- 3.8 Possible Answers to Self-Assessment Exercise(s)



### 3.1 Introduction

There are many literatures on the analysis of organisation. However, here, organisation is described in various ways and the significant consequences of organisation theories for practical administration.



### 3.2 Learning Outcomes

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

- identify some analysis of organisation
- state types of organisation



### 3.3 Analysis of Organisation

Spiers (1975) describes six such ways of looking at these organisations:

- i. **Organisation as machines:** The most basic of all approaches to the study of organisations assumes that organisational behaviour can be considered broadly in mechanistic terms. That is to say, the organisation is considered to be most usefully described in terms of machines. According to Spiers, if one supposes that organisations can, in some sense, be perceived as machines, the following consequences ensue. First, the conception of organisation as a system of interrelated parts predisposes one to think that coordination is a primary task in the evaluation of organisational behaviour. Second, this necessitates the definition of functions in relation to work to be done, both for separate parts of the organisation, and for interrelated parts. Third, behaviour and activity are viewed primarily in term of their work coordination.

Fourth, unsatisfactory circumstances are viewed in the same mechanical sense, i.e., as functional problems rather than any other way.

- ii. **Organisations as needs and responses:** There are certain thinkers who give more emphasis to structure and function in the interpretation of organisational behaviour. The functionalist approach mainly concentrates on needs and responses to needs. He defines needs in terms of the "goals" or "purposes" of (a) individuals, (b) groups within organisation, (c) organisation as a whole, (d) a group wider than the organisation but less than society, and (e) society itself.
- iii. **Organisation as societies:** This analysis closely resembles the functionalist approach. It views organisation as a miniature society. The functionalists believe that the central problem for society as a whole is the reconciliation of varying needs and interests of its members. The social functionalism, as it may be called, points out the prior necessity of a shared value system in order that such reconciliation may take place. The broad administrative consequence of this kind of approach is that there is a predisposition to see the organisation not simply as a system of relatively discrete and interrelated parts but as a community of people. The structure of this community is analogous to the structure of society at large. This conception aids in understanding the internal life of an organisation.
- iv. **Organisation and individual persons:** Instead of seeing organisations as elements in society-wide systems, this approach concentrates on the experience of the individual member. This human relations approach stresses the need for organisations to make provision for the adjustment of individual psychological needs as expressed through small group relationships, to the wider needs of an organisation's behaviour.
- v. **Organisation and the technological core:** There are some theorists who give importance to the concept of socio-technical system. This means that in any organisation, there is always a kind of technological core. In administration, the work processes of routine information systems could be regarded as the technological core. They state that the consideration of internal technology must have certain important consequences for administrative action. First attention is shifted to the physical environment of the work process; secondly, the conception of the person and his physical environment leads to much more flexible possibilities to see that changing technology or even the technical expression of changing economic circumstances may have psychological effects because of its impact on the system.
- vi. **Organisation as Culture:** This theory states that the activities of persons in organisations cannot be understood apart from

meanings given to them by the persons themselves, colleagues, supervisors and official; goals which chiefly condition their actions and relationships. The main impact of this cultural approach is that individuals and groups are seen as constrained, not by formal structures or even beliefs, but by roles and expectations, personally conceived, which in turn determine norms in an essentially relative fashion. Secondly, it is assumed that the organisational change and possibilities for change have to take account of these roles and expectations. Next, it diverts attention towards the exploration of internal subcultures and subtle cultural factors which determine norms and attitudes to work, authority, and types of organisations. (Ekhaton, 2003).

### Self-Assessment Exercises 1

1. Explain the ways of looking basic organisations as identified Spiers (1975) describes

## 3.4 Types of Organisations

Maurice Spier (1975) mentions five types of organisations. These are: firms engaged in goods production: In this category are included:

- i. Business firm engaged in goods production: in this category are included those forms which may not produce goods but are concerned with the provision of services, e.g. newspaper agencies.
- ii. Those organisations that handle the administration of public services under this category are, the government Ministries/departments created to these laws and regulations of a country.
- iii. Other types of organisations are the religious organisations: According to Spier, these are among the most influential bodies in terms of numbers. 44
- iv. Private political organisations such as political parties: These include the pressure groups or interest groups. The main activity of these groups is to mobilise and represent the opinions of members.
- v. Military organisation, i.e. armies. These organisations are geared towards welfare activities (Ekhaton, 2003: 153).

**Self-Assessment Exercises 2**

Identify the Types of Organisations as given by Maurice Spier (1975)

**3.5 Summary**

The unit discussed both the analysis and types of organisations for your further understanding the analysis and types of organisations discussed as a necessity to enhance your knowledge on the importance of organisation

**3.6 References/Further Reading/Web Resources**

- Ekhaton, V.E. (2003). Rudiments of Public Administration. Kaduna: Joyce Graphic Printers & Publishers.
- Spier, M. (1995). Techniques and Public Administration. Glasgow: Williams Collins



### 3.7 Possible Answers to SAEs

#### Answer to SAEs 1

1. Spiers (1975) describes six such ways of looking at these organisations:

**Organisation as machines:** The most basic of all approaches to the study of organisations assumes that organisational behaviour can be considered broadly in mechanistic terms. That is to say, the organisation is considered to be most usefully described in terms of machines. According to Spiers, if one supposes that organisations can, in some sense, be perceived as machines, the following consequences ensue. First, the conception of organisation as a system of interrelated parts predisposes one to think that coordination is a primary task in the evaluation of organisational behaviour. Second, this necessitates the definition of functions in relation to work to be done, both for separate parts of the organisation, and for interrelated parts. Third, behaviour and activity are viewed primarily in term of their work coordination. Fourth, unsatisfactory circumstances are viewed in the same mechanical sense, i.e. as functional problems rather than any other way.

#### Answer to SAEs 2

1. **Organisations as needs and responses:** There are certain thinkers who give more emphasis to structure and function in the interpretation of organisational behaviour. The functionalist approach mainly concentrates on needs and responses to needs. He defines needs in terms of the "goals" or "purposes" of (a) individuals, (b) groups within organisation, (c) organisation as a whole, (d) a group wider than the organisation but less than society, and (e) society itself.
2. **Organisation as societies:** This analysis closely resembles the functionalist approach. It views organisation as a miniature society. The functionalists believe that the central problem for society as a whole is the reconciliation of varying needs and interests of its members. The social functionalism, as it may be called, points out the prior necessity of a shared value system in order that such reconciliation may take place.

**Answer to SAEs 2****Types of Organisations**

Maurice Spier (1975) mentions five types of organisations. These are: firms engaged in goods production: In this category are included:

1. Business firm engaged in goods production: in this category are included those forms which may not produce goods but are concerned with the provision of services, e.g. newspaper agencies.
2. Those organisations that handle the administration of public services under this category are, the government Ministries/departments created to these laws and regulations of a country.
3. Other types of organisations are the religious organisations: According to Spier, these are among the most influential bodies in terms of numbers. 44
4. Private political organisations such as political parties: These include the pressure groups or interest groups. The main activity of these groups is to mobilise and represent the opinions of members.
5. Military organisation, i.e., armies. These organisations are geared towards welfare activities (Ekhaton, 2003: 153).

## UNIT 4 CIVIL SERVICE

### Unit Structure

- 4.1 Introduction
- 4.2 Learning Outcomes
- 4.3 Civil Service
  - 4.3.1 Meaning of Civil Service
- 4.4 Civil Service in Nigeria
- 4.5 The Principles of the Civil Service
- 4.6 Summary
- 4.7 References/Further Reading/Web Resources
- 4.8 Possible Answers to Self-Assessment Exercise(s)



### 4.1 Introduction

The civil service is the umbrella organisation in which the executive arm of government utilises to implement the rules and regulations as made by the legislatures.



### 4.2 Learning Outcomes

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

- define civil service
- discuss the salient principles guiding the civil service especially in Nigeria.



### 4.3 Civil Service

#### 4.3.1 Meaning of Civil Service

The civil service is a term used to cover the public servants who are direct employees of the federal and state governments, other than the police, the armed forces personnel, judicial personnel and the teachers. Its usage excludes also employees of statutory corporations and boards (Nwosu, 1977). According to Adebayo (1986), the civil service comprises all servants of the state, other than those holding political appointments, who are employed in a civil capacity and whose remuneration is paid out of money voted by the legislature. Adamolekun (1983), sees the civil service as "the body of permanent officials appointed to assist the political

executive in formulating and implementing governmental policies." He also sees the second usage of the term as referring to "the ministries and departments within which specific aspects of government are carried out." Though people often see the civil service and the public service as the same thing, they are technically, not the same.

Public service as a term is broader in scope than civil service. Hence, it includes not only those who work in the regular government ministries and departments but also statutory corporations, boards and the armed forces. Hence, Adamolekun (1983) defines it as the totality of services that are organised under government authority. It can therefore be said that civil service is narrower in scope and excludes some government employees who are public servants (Obikeze and Anthony, 2004:140).

#### **4.4 Civil Service in Nigeria**

The civil service is the administrative structure employed in civil capacity to fulfill government policies and programmes. This can be viewed in terms of structures i.e., ministries, departments, etc. or the human occupants of public offices i.e., permanent secretaries, ministers, and higher administrative staff. The Nigerian Interpretation Act of 1964 does not expressly define the term civil service. However, Section 2 of the Pensions Act of 1951 defines the "civil service, as the service in a civil capacity under the government of the federation or in a college, university or a pensionable employment under local authority." The civil service is distinguishable from the military service and police service in that while the latter two are principally concerned with the safeguard of the country from external and internal dangers, the former is concerned with purely civil and non-technical affairs of the state. Members of the civil service are employed in a civil capacity as distinguished from military, judicial or police capacity. Military officers, judicial officers, police officers and many other technical officers like doctors, engineers, and draughtsmen are, strictly speaking, not civil servants. Civil servants are mainly of two categories: lower clerical staff and higher administrative staff. The higher administrative staff is directly responsible to the political head of department. The lower clerical staff helps the administrative staff and works under its direct supervision and control. The state reaches the citizens through the civil servants who are well trained, skilled and permanent body of professional class of officials, and who have taken government service as a career (Ekhaton, 2012)

#### **Self-Assessment Exercises 1**

Define Meaning of Civil Service Explain concept of Civil Service in Nigeria
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## 4.5 The Principles of the Civil Service

The civil service is guided by impartiality. The principle of permanence is also seen as part of the maxims. We will now explain all of them

**Anonymity** The principle of anonymity states that civil servants should be seen and not by principle be heard. Though they advise political office holders on issues relating to government they neither take the blame nor the glory of such policies. They are not expected to be seen defending such policies. That job is better left for political office holders and not the career officers. Civil servants as far as possible, are anonymous, and should not be seen as craving for publicity.

**Neutrality** The civil servant must be politically neutral. His job is to serve the government of the day with full dedication irrespective of what he feels about that particular government. He ought not to allow personal prejudices to colour his dedication to his duty. He is not expected to be a card-carrying member of a political party or get involved in partisan politics though he is expected to vote at election times. The essence of making the civil servant politically neutral is hinged on the fact that since he does not leave with a change in government, he is not expected to have a strong attachment to any particular government so as to enable him give his best to make government policies succeed irrespective of his personal feelings towards such policies or government.

**Impartiality** Civil servants are paid from tax payers' money which does not belong to anybody or group in particular. They are therefore, expected to discharge their duties without fear or favour. Since the constitution emphasises the equality of all citizens, they are supposed to be treated equally by the civil servants. In rendering service to the public, the civil servant is expected to treat everybody with a high degree of impartiality. Favouritism is against the principle of the civil service and should not be encouraged in any guise whatsoever. 48

**Permanence** The civil service is often defined as a permanent body of officials that carry out government decisions: It is permanent and its life is not tied to the life of any particular government. Governments come and go but the service remains, or to use the; Nigerian jargon, soldier go, soldier come but barrack remain. The civil service in this regard, is the barrack that remains (Obikeze and Anthony: 2004).

### Self-Assessment Exercises 2

Mention and Explain the <b>Principles of the Civil Service</b>
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#### 4.6 Summary

The concept of civil service is briefly discussed hereby discussing its definition and principles. The definition and principles of civil service introduced you to the concept. More analysis of civil service shall be discussed in subsequent units



#### 4.7 References/Further Reading/Web Resources

Ademolekun, L. (1983). *Public Administration: A Nigerian and Comparative Perspective*. London: Longman.

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Obikeze, S.O. & Obi, E. A. (2004). *Public Administration in Nigeria: A Development Approach*. Onitsha Book Point Ltd.



## 4.8 Possible Answers to SAEs

### Answers to SAEs 1

1. The civil service is a term used to cover the public servants who are direct employees of the federal and state governments, other than the police, the armed forces personnel, judicial personnel and the teachers. Its usage excludes also employees of statutory corporations and boards (Nwosu, 1977). According to Adebayo (1986), the civil service comprises all servants of the state, other than those holding political appointments, who are employed in a civil capacity and whose remuneration is paid out of money voted by the legislature. Adamolekun (1983), sees the civil service as "the body of permanent officials appointed to assist the political executive in formulating and implementing governmental policies."
2. **Civil Service in Nigeria**

The civil service is the administrative structure employed in civil capacity to fulfill government policies and programmes. This can be viewed in terms of structures i.e., ministries, departments, etc. or the human occupants of public offices i.e., permanent secretaries, ministers, and higher administrative staff. The Nigerian Interpretation Act of 1964 does not expressly define the term civil service. However, Section 2 of the Pensions Act of 1951 defines the "civil service, as the service in a civil capacity under the government of the federation or in a college, university or a pensionable employment under local authority." The civil service is distinguishable from the military service and police service in that while the latter two are principally concerned with the safeguard of the country from external and internal dangers, the former is concerned with purely civil and non-technical affairs of the state. Members of the civil service are employed in a civil capacity as distinguished from military, judicial or police capacity. Military officers, judicial officers, police officers and many other technical officers like doctors, engineers, and draughtsmen are, strictly speaking, not civil servants.

## Answers to SAEs 2

### 1. The Principles of the Civil Service

The civil service is guided by impartiality. The principle of permanence is also seen as part of the maxims. We will now explain all of them

**Anonymity** The principle of anonymity states that civil servants should be seen and not by principle be heard. Though they advise political office holders on issues relating to government they neither take the blame nor the glory of such policies. They are not expected to be seen defending such policies. That job is better left for political office holders and not the career officers. Civil servants as far as possible, are anonymous, and should not be seen as craving for publicity.

**Neutrality** The civil servant must be politically neutral. His job is to serve the government of the day with full dedication irrespective of what he feels about that particular government. He ought not to allow personal prejudices to colour his dedication to his duty. He is not expected to be a card-carrying member of a political party or get involved in partisan politics though he is expected to vote at election times. The essence of making the civil servant politically neutral is hinged on the fact that since he does not leave with a change in government, he is not expected to have a strong attachment to any particular government so as to enable him give his best to make government policies succeed irrespective of his personal feelings towards such policies or government.

**Impartiality** Civil servants are paid from tax payers' money which does not belong to anybody or group in particular. They are therefore, expected to discharge their duties without fear or favour. Since the constitution emphasises the equality of all citizens, they are supposed to be treated equally by the civil servants. In rendering service to the public, the civil servant is expected to treat everybody with a high degree of impartiality. Favouritism is against the principle of the civil service and should not be encouraged in any guise whatsoever. 48

**Permanence** The civil service is often defined as a permanent body of officials that carry out government decisions: It is permanent and its life is not tied to the life of any particular government.

## UNIT 5      FEATURES AND FUNCTIONS OF CIVIL SERVICE

### Units Structure

- 5.1 Introduction
- 5.2 Learning Outcomes
- 5.3 The Features of Civil Service
- 5.4 Functions of Civil Service
- 5.5 Summary
- 5.6 References/Further Reading/Web Resources
- 5.7 Possible Answers to Self-Assessment Exercise(s)



### 5.1 Introduction

In this unit, we will be discussing the features and functions of civil service.



### 5.2 Learning Outcomes

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

- list the features of civil service
- state the functions of civil service.



### 5.3 The Features of Civil Service

The administrative institutions in Nigeria are a legacy of the British model. Since Nigeria inherited virtually all administrative institutions from Britain, her erstwhile colonial rulers, the Nigerian public service is based on the West Minister model.

The main characteristics of the Nigerian public service include the following:

1. **Professionalism** The most significant feature of civil service is that it is a professional class of officials who are trained and skilled. Like other professional groups of people engaged in different profession, the profession of civil servants is to run the administration. It does not mean that civil service is a single profession like shoe-making or brick laying,

rather, it is a sum total of multi-profession ranging from mail delivering to administering a local government area council, all engaged in a single aim, i.e., the execution of public policy.

**2. Hierarchy** Hierarchy is the second fundamental characteristic found in civil service. By hierarchy we mean the separation between superior and subordinate offices; i.e., each lower office is under the control and supervision of a higher one. Then, there exist fixed salaries which are paid in accordance with the nature of the job and responsibility as well as the social status. In addition, there are chances of promotion and career advancement based on seniority and merit. Moreover, there is a right of appeal and statements of grievances from the lower to the higher authority. **iii. Legal Basis** The civil service system is always provided with a legal basis. This may, to a large extent, be customary and uncodified or it may be in the form of ministerial regulations as in the United Kingdom, or it may be set forth in considerable detail in a written constitution for the political jurisdiction. Generally, it possesses a statutory base either in an elaborate civil service code or in a collection of civil service laws.

**3. Personnel Agency** In some countries, there is a provision for a central personnel agency or agencies that are in charge of maintaining the civil system. To this end, usually the British model is adopted by a large number of countries, where the responsibility of selection of civil servants is given to the civil service commission. In Nigeria, the Federal Civil Service Commission and state's civil service commission are made responsible for recruitment of federal and state civil servants.

**4. Security of tenure or permanence** This means that changes in government do not bring about changes in public servants. Governments come and go but public servants remain as long as they perform their work properly. The public service is a career to which the public servants can devote their time and energy until they attain retirement age. It is only in very serious cases of misbehaviour that they can be dismissed or retired.

**5. Political Neutrality** This means that public servants should not be member of any political party. They should not take part in partisan or party politics. They cannot contest election or comment publicly on political matters. If they wish to do so, they have to resign their appointment.

**6. Impartiality** The public servants are expected to apply the laws of the land without any fear or favour to any person or group of persons in the society. Thus, the public servants should serve all members of the public to the very best of their ability. They should act with maximum fairness towards all members of the society. There should be no discrimination of any kind.

**7. Anonymity** This means that they must work without any aim of making fame or name. They should remain anonymous, whatever blame or praise for any act of omission or commission will directly go to the minister who is the political head of the department.

**8. Meritocracy** Another significant characteristic feature of the public service is that both recruitment from within and recruitment from without are based on merit. To be recruited into the service one has to satisfy certain given standards such as educational qualifications, good performance in the qualifying examination and interviews. Above all, promotion within the system is based on seniority, efficiency and experience.

**9. Established Procedures of Work** xi. In a developed civil service system, well established procedure is planted for the conduct of common personnel transactions such as recruitment, training, promotion, demotion, dismissal, performance evaluation, compensation, etc. These standardised methods provide objectivity in the choice of entrants to the civil service and also help in offering equal treatment to everybody already in service (Ekhaton, 2003: 255-256).

### Self-Assessment Exercises 1

1. State and Explain the Features of Civil Service
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## 5.4 Functions of Civil Service

The functions of the civil service may be discussed under the following main heads:

- i. Advice** The primary function of the civil service is to advise the political executive. Ministers depend on the advice of their higher administrative staff who are the reservoir of information and wisdom regarding the subject matters which they administer. Even to formulate his own programme, the political executive relies on the civil service officials while administering many problems which arise - which are usually solved by the civil service before reporting to the political head, if at all, for approval or mere information
- ii. Programme Planning** Broadly speaking, planning is the duty of the political chief executive. Planning and periodic adjustments of the revenue structure is a responsibility of the minister for finance; agricultural prices and water policy - functions of the ministers for Agriculture and Water Resources; petroleum policy, a function of the minister for petroleum, etc. But there is a field where the civil

servants also perform the function of planning, and this is the field of delegated legislation. The legislature makes laws in broad outlines for execution and implementation of which certain basic rules and regulations are required. The civil servants who execute those laws determine the specific steps to take in order to bring to fruition a policy or a law already agreed upon. To the extent that the policy decision is ambiguous or vague, programme planning may actually affect policy though in principle. Its purpose is merely to effect policy. Programme planning involves a careful analysis of the job to be done. It is a deep perception of the whole operation. The success of any new policy will depend ultimately upon good programme planning. Good performance planners develop by experience. They learn the art by daily practice and not by reading from books.

- iii. **Policy Formulation** The civil servants advise their political head, the minister, on a wide range of policy matters. Thus, the civil servants play crucial roles in policy formulation.
- iv. **Drafting Bills** Top civil servants aid their political boss to draft bills or to prepare legislative proposals. This is a usual practice in a parliamentary democracy.
- v. **Policy Implementation** Once a minister has decided on what to do, it is the responsibility of the civil servants to carry out such decisions.
- vi. **Budget Preparation** The civil servants prepare the annual financial statements of their respective ministries. This annual financial statement which is technically called the yearly budget comprises income and expenditure of government. The various financial statements from the various ministries are integrated into one document known as the budget.
- vii. **Law Making** Besides bill drafting, the civil servants now make minor laws known as delegated legislation.
- viii. **Negotiation with Outside Groups** Civil servants discuss, bargain or negotiate with interest groups, other governments and international organisations on behalf of their own government.
- ix. **Quasi - Judicial Function** In recent times, civil servant protects civil liberties by institutional administrative inquiries into alleged wrong doings of public officers and where such allegations are proved right, they recommend disciplinary actions to be taken against the affected officers.
- x. **Production** Another important function of the civil service is production. Goods produced may be tangible goods like kilograms of rice and kilometers of concrete roads, and less tangible services such as cases of legal disputes decided or school children educated. Every official involved in administration needs work standard to enable him to determine whether his organisation is reasonably

living up to mark, whether his subordinate staff are competent and whether there is a rise or fall in the level of efficiency and output.

- xi. Organisation and Methods** The primary purpose of which a civil service is set up is to effect improvement of working methods so as to remove waste and loss of efforts and secure complete utilisation of available resources. This function is performed with the aid of units specialised in what has come to be known as organisation and methods of work often called O & M (Ekhator, 2003: 257-2458)

### Self-Assessment Exercises 2

State and Explain functions of civil service in Nigeria
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### 5.5 Summary

The features and functions of civil service are important in its understanding; hence, they have been analysed for you. Extensive analysis of the features and function of civil service are discussed in this unit. The evolution of civil service shall be discussed next.



### 5.6. References/Further Reading/Web Resources

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## 5.7 Possible Answers to SAEs

### Answers to SAEs 1

#### 1. The Features of Civil Service

The administrative institutions in Nigeria are a legacy of the British model. Since Nigeria inherited virtually all administrative institutions from Britain, her erstwhile colonial rulers, the Nigerian public service is based on the West Minister model.

The main characteristics of the Nigerian public service include the following

1. **Professionalism** The most significant feature of civil service is that it is a professional class of officials who are trained and skilled. Like other professional groups of people engaged in different profession, the profession of civil servants is to run the administration. It does not mean that civil service is a single profession like shoe-making or brick laying, rather, it is a sum total of multi-profession ranging from mail delivering to administering a local government area council, all engaged in a single aim, i.e. the execution of public policy.
2. **Hierarchy** Hierarchy is the second fundamental characteristic found in civil service. By hierarchy we mean the separation between superior and subordinate offices; i.e. each lower office is under the control and supervision of a higher one. Then, there exist fixed salaries which are paid in accordance with the nature of the job and responsibility as well as the social status. In addition, there are chances of promotion and career advancement based on seniority and merit. Moreover, there is a right of appeal and statements of grievances from the lower to the higher authority.
  - iii. **Legal Basis** The civil service system is always provided with a legal, basis. This may, to a large extent, be customary and uncodified or it may be in the form of ministerial regulations as in the United Kingdom, or it may be set forth in considerable detail in, a written constitution for the political jurisdiction. Generally, it possesses a statutory base either in an elaborate civil service code or in a collection of civil service laws.
3. **Personnel Agency** In some countries there is a provision for a central personnel agency or agencies that are in charge of maintaining the civil system. To this end, usually the British model is adopted by a large number of countries, where the responsibility of selection of civil servants is given to the civil service commission. In Nigeria, the Federal Civil Service Commission and state's civil service commission are made responsible for recruitment of federal and state civil servants.

4. **Security of tenure or permanence** This means that changes in government do not bring about changes in public servants. Governments come and go but public servants remain as long as they perform their work properly. The public service is a career to which the public servants can devote their time and energy until they attain retirement age. It is only in very serious cases of misbehaviour that they can be dismissed or retired.
5. **Political Neutrality** This means that public servants should not be member of any political party. They should not take part in partisan or party politics. They cannot contest election or comment publicly on political matters. If they wish to do so, they have to resign their appointment.
6. **Impartiality** The public servants are expected to apply the laws of the land without any fear or favour to any person or group of persons in the society. Thus, the public servants should serve all members of the public to the very best of their ability. They should act with maximum fairness towards all members of the society. There should be no discrimination of any kind.
7. **Anonymity** This means that they must work without any aim of making fame or name. They should remain anonymous, whatever blame or praise for any act of omission or commission will directly go to the minister who is the political head of the department.
8. **Meritocracy** Another significant characteristic feature of the public service is that both recruitment from within and recruitment from without are based on merit. To be recruited into the service one has to satisfy certain given standards such as educational qualifications, good performance in the qualifying examination and interviews. Above all, promotion within the system is based on seniority, efficiency and experience.
9. **Established Procedures of Work** xi. In a developed civil service system, well established procedure is planted for the conduct of common personnel transactions such as recruitment, training, promotion, demotion, dismissal, performance evaluation, compensation, etc. These standardised methods provide objectivity in the choice of entrants to the civil service and also help in offering equal treatment to everybody already in service (Ekhaton, 2003: 255-256).

## Answers to SAEs 2

1. The functions of the civil service may be discussed under the following main heads:
  - i. **Advice** The primary function of the civil service is to advise the political executive. Ministers depend on the advice of their higher administrative staff who are the reservoir of information and wisdom regarding the subject matters which they administer. Even to formulate his own programme, the political executive relies on the civil service officials while administering many problems which arise - which are usually solved by the civil service before reporting to the political head, if at all, for approval or mere information
  - ii. **Programme Planning** Broadly speaking, planning is the duty of the political chief executive. Planning and periodic adjustments of the revenue structure is a responsibility of the minister for finance; agricultural prices and water policy - functions of the ministers for Agriculture and Water Resources; petroleum policy, a function of the minister for petroleum, etc. But there is a field where the civil servants also perform the function of planning, and this is the field of delegated legislation. The legislature makes laws in broad outlines for execution and implementation of which certain basic rules and regulations are required. The civil servants who execute those laws determine the specific steps to take in order to bring to fruition a policy or a law already agreed upon. To the extent that the policy decision is ambiguous or vague, programme planning may actually affect policy though in principle. Its purpose is merely to effect policy. Programme planning involves a careful analysis of the job to be done. It is a deep perception of the whole operation. The success of any new policy will depend ultimately upon good programme planning. Good performance planners develop by experience. They learn the art by daily practice and not by reading from books.
  - iii. **Policy Formulation** The civil servants advise their political head, the minister, on a wide range of policy matters. Thus, the civil servants play crucial roles in policy formulation.
  - iv. **Drafting Bills** Top civil servants aid their political boss to draft bills or to prepare legislative proposals. This is a usual practice in a parliamentary democracy.
  - v. **Policy Implementation** Once a minister has decided on what to do, it is the responsibility of the civil servants to carry out such decisions.
  - vi. **Budget Preparation** The civil servants prepare the annual financial statements of their respective ministries. This annual financial statement which is technically called the yearly budget comprises income and expenditure of government. The various

financial statements from the various ministries are integrated into one document known as the budget.

- vii. **Law Making** Besides bill drafting, the civil servants now make minor laws known as delegated legislation.

## MODULE 3

- Unit 1 Nigerianisation Policy
- Unit 2 Evolution of Nigerian Civil Service
- Unit 3 Civil Service Reforms: Udoji Commission
- Unit 4 The 1988 Civil Service Reform
- Unit 5 Civil Service Reforms of 1997

### UNIT 1 NIGERIANISATION POLICY

#### Unit Structure

- 1.1 Introduction
- 1.2 Learning Outcomes
- 1.3 Nigerianisation Policy
- 1.4 Nigerianisation of the Higher Ranks of the Federal Public Service, 1958 – 1963
- 1.5 Summary
- 1.6 References/Further Reading/Web Resources
- 1.7 Possible Answers to Self-Assessment Exercise(s)



#### 1.1 Introduction

The Nigerianisation policy was an effort made to indigenise the Nigerian civil service as a result of 1954 Federal Constitution which established a true federal structure for Nigeria, and made provisions for both the federal and regional civil services. We shall go through the process to see how it affected Nigerian federalism.



#### 1.2 Learning Outcomes

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

- discuss the Nigerianisation Policy
- describe Nigerianisation of the Higher Ranks of the Federal Public Service, 1958 – 1963.



### 1.3 Nigerianisation Policy

Another important development in the civil service in the period was the period was the indigenisation of the service. This phenomenon is popularly known as "Nigerianisation". The 1954 federal constitution which established a true federal structure for Nigeria made provisions for both the federal and regional civil services. The Nigerianisation policy moved with considerable speed in the eastern and western regions because of the availability of qualified personnel. However, the northern region preferred another opinion. Due to the educational backwardness of the region compared to other regions, their civil service became heavily dominated by southerners. This situation was simply unacceptable to the leadership of the region. Instead of "Nigerianising" their civil as others, they decided to 'northernise' it. The northernisation policy stipulated that, "If a qualified northerner is available, he is given priority in recruitment, and if no northerner is available, an expatriate may be recruited or a non-northerner on contract terms." Nigerianisation as a policy, originated through the Foot Commission. This commission was set up by the colonial government in 1948 to look into the complaints of Nigerian nationalists about the dominance of the expatriates in upper echelons of the Nigerian civil service, despite the availability of qualified Nigerians. The commission headed by the Chief Secretary to the Government, Sir Hugh Foot recommended among others that appointment of Nigerians into the senior civil service should be hastened as soon as people with the right qualifications are available. It also recommended that in order to make the suitable candidate available, more scholarships and training courses should be provided for Nigerians. After the introduction of the 'federalist' Macpherson Constitution in 1954, the various regions started the process in their own various ways. In order to further the 'Nigerianisation' policy, a Nigerianisation officer was appointed in 1937. In March 1958, the House of Representatives in response to political pressure, appointed a special committee to study the progress of the policy. The report of the committee which was published in 1959 decried the fact that of the 73 super scale posts in the administrative service, only 10 were held by Nigerians or other West Africans as compared with 63 held by expatriates. Nigerians held only 1 of 14 posts of permanent secretary, 6 of 35 posts of deputy permanent secretary, and 6 of 34 posts of senior assistant secretary (Nnoli, 1978). This unfavourable report, made the government to order an acceleration of the exercise. Thus, in August 1960 the Nigerianisation officer reported that the proportion of Nigerians in senior posts of the federal public service was about 60 percent and the majority of expatriates are on short-term contract (Sklar, 1963).

## Self-Assessment Exercises 1

**Discuss the Nigerianisation Policy**

### 1.4 Nigerianisation of the Higher Ranks of the Federal Public Service, 1958 – 1963

Despite the achievement of indigenisation of the civil service with the Nigerianisation policy, some noticeable negative effects were also apparent. The policy was not really interested in standards but in Nigerianising the service. This lowering of standards did not make for an effective and result oriented one and this may have contributed to the poor performance of the Nigerian civil service from independence till date. Also, in trying to achieve representativeness of all the regions, merit was thrown overboard. As Nwosu (1977), argued in pursuit of Nigerianisation, “The principle of merit was diluted into the one of representativeness and thus obviously affected the quality and output of the federal service between 1954 and 1966.” We may equally add that since this dilution is still going on under the quota system or federal character, this still affects the quality-of-service delivery in the civil service today. By far the highest impact of the policy on the country then was its effects on Nigerian unity (Obikeze and Obi, 2004: 145).

## Self-Assessment Exercises 2

**Discuss the Nigerianisation of the Higher Ranks of the Federal Public Service, 1958 – 1963**



### 1.5 Summary

The Nigerianisation policy was discussed to further enhance your knowledge of what obtained in the Nigerian civil service before and immediately after independence in October 1960. The Nigerianisation policy was made to fill the vacant positions by qualified Nigerians. The policy geared towards indigenising the Nigerian civil service.



### 1.6 References/Further Reading/Web Resources

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## 1.7 Possible Answers to SAEs

### Answers to SAEs 1

#### Nigerianisation Policy

Another important development in the civil service in the period was the indigenisation of the service. This phenomenon is popularly known as "Nigerianisation". The 1954 federal constitution which established a true federal structure for Nigeria made provisions for both the federal and regional civil services. The Nigerianisation policy moved with considerable speed in the eastern and western regions because of the availability of qualified personnel. However, the northern region preferred another opinion. Due to the educational backwardness of the region compared to other regions, their civil service became heavily dominated by southerners. This situation was simply unacceptable to the leadership of the region. Instead of "Nigerianising" their civil as others, they decided to 'northernise' it. The northernisation policy stipulated that, "If a qualified northerner is available, he is given priority in recruitment, and if no northerner is available, an expatriate may be recruited or a non-northerner on contract terms." Nigerianisation as a policy, originated through the Foot Commission. This commission was set up by the colonial government in 1948 to look into the complaints of Nigerian nationalists about the dominance of the expatriates in upper echelons of the Nigerian civil service, despite the availability of qualified Nigerians. The commission headed by the Chief Secretary to the Government, Sir Hugh Foot recommended among others that appointment of Nigerians into the senior civil service should be hastened as soon as people with the right qualifications are available. It also recommended that in order to make the suitable candidate available, more scholarships and training courses should be provided for Nigerians.

**Nigerianisation of the Higher Ranks of the Federal Public Service, 1958 – 1963**

Despite the achievement of indigenisation of the civil service with the Nigerianisation policy, some noticeable negative effects were also apparent. The policy was not really interested in standards but in Nigerianising the service. This lowering of standards did not make for an effective and result oriented one and this may have contributed to the poor performance of the Nigerian civil service from independence till date. Also, in trying to achieve representativeness of all the regions, merit was thrown overboard. As Nwosu (1977), argued in pursuit of Nigerianisation, “The principle of merit was diluted into the one of representativeness and thus obviously affected the quality and output of the federal service between 1954 and 1966.”

## UNIT 2      EVOLUTION OF NIGERIAN CIVIL SERVICE

### Units Structure

- 2.1 Introduction
- 2.2 Learning Outcomes
- 2.3 Evolution of Nigerian Civil Service
- 2.4 The Structure of the Nigerian Civil Service
- 2.5 Summary
- 2.6 References/Further Reading/Web Resources
- 2.7 Possible Answers to Self-Assessment Exercise(s)



### 2.1 Introduction

Nigeria was colonised by Britain and the civil service in Nigeria was modeled after that of Britain. The evolution of the civil service in Nigeria started from colonial period and has undergone many processes. You are being treated to this process to enable you know how the civil service had evolved over the years.



### 2.2 Learning Outcomes

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

- discuss the evolution of Nigerian civil service
- analyse the structure of the Nigerian civil service.



### 2.3 The Evolution of Nigerian Civil Service

In tracing the emergence and growth of the civil service in Nigeria, Nwosu (1977), started from 1900 when Britain formally established her authority in most of the area that had then become Nigeria. The British divided the country into three for administrative purposes. They were the Colony of Lagos and the Protectorates of Northern and Southern Nigeria. Later in 1906 the Lagos Colony was merged with the Southern Protectorate and renamed the Colony and Protectorate of Southern Nigeria. In 1914 the two protectorates were amalgamated, and subsequently became known as the Colony and Protectorate of Nigeria. In order to be able to administer the territory, Britain imposed a unified alien civil service on Nigeria without giving much thought to its impact 56 on the Nigerian traditional communities with their conflicting values,

interests, norms and authority structure (Kingsley, 1963). It must be pointed out that despite the amalgamation and its attendant unification of the civil services of the north and south, the two areas still developed, at their own pace. The major function of the civil service was mainly the maintenance of law and order and raising enough revenue to sustain the colonial authorities. According to Okoli (2002), the service was geared towards the negative policy of preventing trouble in the areas under its administration. Economic and social development was never a major objective of the administration. Nwosu (1977) outlined the structure of the colonial service thus, At the head of the public service was the Governor General, who was accountable to the colonial secretary in London. The colonial secretary was himself accountable to the British cabinet and the parliament. The Governor General delegated his authority to the Chief Secretary, who was the effective head of the service. The chief secretary coordinated the entire service which was divided into two major parts - the departmental and the political administration. The departmental administration covered the technical and professional functions of the colonial regime. Such as education, health, agriculture, treasury, forestry, public works and audit. Assisting the Chief Secretary were the various departmental heads. In the absence of elected representatives of the people, they not only advised the Governor, but initiated policies, participated in legislation, and supervised the execution of enacted bills and approved policies. While the heads of technical departments operated from the central secretariat in Lagos, their subordinates were in charge of field offices. Considering the 'authoritarian' nature of colonial regimes and given the limited scope of colonial policies, the technical and professional heads of departments carried their duties without deference to any organised clientele or public; the constraints and contingencies that stemmed from the wider environments were tackled by the field administrators. The field officers referred to above were the Lieutenant Governor, the Residents, and the District Officers. These officers who were the pillars of colonial administration were fully responsible for the maintenance of law and order and the mobilisation of resources, which in any case were the main goals of colonialism. In explaining the importance of these officials in colonial administration, Kingsley (1963), stated that: The president and the governor, each in his geopolitical area, were concerned and more often than not, in more remote areas, a strong administrative officer was the government in the real sense of it. These field officers it must be pointed out did not rule the people. Indirectly, instead they ruled them through their own people indirect rule in the north it was fairly easy since the emirs were already fully in charge before the advent of colonialism. They had almost questionable powers and also had a system of taxation. In the west where the Obas were fully in charge, (though with some measure of checks and balances) the indirect rule system was also successful. The east provided a different scenario all together. With the exception of few

areas, where established traditional authorities were already in existence, the diffused authority system which was described as segmentary or fragmented (Obikeze and Obi 2003) made it difficult for the indirect rule system to be introduced. However, this did not deter the colonial officials from building a structure on which their administration rested. They created the 'Warrant Chief's and made them to perform the roles that their counterparts in other parts of the country had been performing. It undoubtedly encountered many problems. The fusion of western administration with the traditional African, System, produced a new structure which Nwosu (1977) says corresponded with Fred Riggs's description of the pattern of role differentiation in a traditional society. Riggs (1963) said that: "We find, then, in the transitional society a dualistic situation. Formally superimposed institutions patterned after, western models coexist with earlier indigenous institutions of a traditional type in a complex pattern which was heterogeneous over lapping. The new patterns thrive best at the centre in the higher levels of society; the older patterns persist most vigorously at the periphery, in the rural hinterlands and the lower levels of society, but the mixture is everywhere present and produces new forms characteristics of neither the western nor the traditional institutional systems." At this early period, Nigerians were restricted to the lower echelons of the civil service. Though the south and the north were amalgamated in 1914, both regions still had their separate civil services. In fact, Odumosu (1963) states that departments like education, policy and prisons in the north were separated in policy and control from their southern counterparts. 58 The Richard's Constitution of 1946 marked a watershed in the political and administrative history of Nigeria. The constitution provided for a House of Assembly for each of the regions plus a House of Chiefs for the northern region: It equally provided a legislative council at the centre with an African unofficial majority. The councils were to advise the Regional Governors on any matter referred to them. The Governors were however not bound to accept their advice. According to Arthur Richards the objective of the 1946 Constitution was to Create a political system which is in itself present advance and contains living possibility of further orderly advance - a system within which the diverse elements may progress at varying speeds amicably and smoothly towards a more closely integrated economic, social and political unity without sacrificing the principles and ideals inherent in their divergent ways of life (Obikeze and Obi, 2004: 142-145).

### Self-Assessment Exercise 1

Discuss the evolution of <b>Nigerian Civil Service</b>
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## 2.4 The Structure of the Nigerian Civil Service

Prior to the Udoji Commission Report of (1974), the Nigerian civil servants were divided into two separate groups - the administrative group and the professional group. Both groups were hierarchically organised. While the administrative group was made up of the administrative class, the executive class the clerical class and the manipulative class, the professional group consisted of the professional class, the technical class, the auxiliary class and the minor technical class. Each of the classes within the two groups operated so rigidly that it was very difficult for a civil servant to move from a lower to a higher class. This implied that a civil servant once recruited remained in the same class or grade throughout his service career. However, in 1974, based on the recommendations of the Udoji Commission on the re-organisation of the civil service, the Federal Government of Nigeria abolished the former four classes and replaced them with a unified grading system in which all the jobs or positions in the service were graded from levels 01-17, grade level 01 being the lowest while grade level 17 represents the highest position in the civil service. With this development, an employee can now join the service at level 01 and climbs upwards to his ability before retirement. In spite of this significant change, five main classes of civil servants still exist today in Nigeria, though not officially: These include the administrative class, the professional class, the executive class, the clerical class, and the manipulative class. Let us briefly explain each of these classes:

- i. The administrative class: This is the most prestigious and remunerative class in the civil service. Civil servants in this class are very close to the political head, i.e., the ministers/commissioners. Their main function is to advise the political head on policy matters. To be recruited into this class, the applicant must possess at least a second-class honours degree from a recognised university and must in addition pass the interview conducted by the civil service commission.
- ii. The professional class: This class consists of specialists like doctors, lawyers, engineers, surveyors, architects, etc., who are charged with the responsibility of advising the government on technical matters. These experts help the government in construction of roads, houses, run hospitals, engage in agriculture, etc.
- iii. The executive class: The executive class consists of such positions as the executive officer, higher executive officer and senior executive officer. Civil servants in this class are involved in general administration and are charged with the actual implementation of government policies and programmes. The executive class used to be recruited from among people with good

Higher School Certificates or General Certificate of Education, Advanced Level or a Diploma in Public Administration. These days, however, it has become the preserve of the people with less than a second-class lower degree as well as that of Higher National Diploma Holders in the relevant fields.

- iv. Clerical class: This class is made of a large number of subordinate staff who perform supportive functions to the government
- v. The manipulative class: This class is made up of all the skilled and semi-skilled workers who abound in the various ministries and departments. These include the drivers, cleaners, guards, postmen, gardeners, etc. who represent the manual labour forces of the government (Ekhaton, 2003:259-261)

### Self-Assessment Exercises 2

Discuss the Structure of the Nigerian Civil Service



### 2.5 Summary

In this unit, we discussed the evolutionary and structural processes of the civil service in Nigeria. Main features and events were highlighted and discussed. The evolution of civil service in Nigeria started in 1900 when Britain formally colonised Nigeria. Since then, many reforms have changed the features of the civil service in Nigeria. You are treated to these changes in the civil service to enable you know its evolutionary process.



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Odumosu, O. I. (1963). *Nigerian Constitution*. London: Sweet and Maxwell.

Riggs, F.G. (1964). *Administration in Developing Countries the Theory*



## 2.7 Possible Answers to SAEs

### Answers to SAEs 1

#### **The Evolution of Nigerian Civil Service**

In tracing the emergence and growth of the civil service in Nigeria, Nwosu (1977), started from 1900 when Britain formally established her authority in most of the area that had then become Nigeria. The British divided the country into three for administrative purposes. They were the Colony of Lagos and the Protectorates of Northern and Southern Nigeria. Later in 1906 the Lagos Colony was merged with the Southern Protectorate and renamed the Colony and Protectorate of Southern Nigeria. In 1914 the two protectorates were amalgamated, and subsequently became known as the Colony and Protectorate of Nigeria. In order to be able to administer the territory, Britain imposed a unified alien civil service on Nigeria without giving much thought to its impact on the Nigerian traditional communities with their conflicting values, interests, norms and authority structure (Kingsley, 1963). It must be pointed out that despite the amalgamation and its attendant unification of the civil services of the north and south, the two areas still developed, at their own pace. The major function of the civil service was mainly the maintenance of law and order and raising enough revenue to sustain the colonial authorities. According to Okoli (2002), the service was geared towards the negative policy of preventing trouble in the areas under its administration. Economic and social development was never a major objective of the administration. Nwosu (1977) outlined the structure of the colonial service thus, At the head of the public service was the Governor General, who was accountable to the colonial secretary in London. The colonial secretary was himself accountable to the British cabinet and the parliament. The Governor General delegated his authority to the Chief Secretary, who was the effective head of the service. The chief secretary coordinated the entire service which was divided into two major parts - the departmental and the political administration

#### **The Structure of the Nigerian Civil Service**

Prior to the Udoji Commission Report of (1974), the Nigerian civil servants were divided into two separate groups - the administrative group and the professional group. Both groups were hierarchically organised. While the administrative group was made up of the administrative class, the executive class the clerical class and the manipulative class, the professional group consisted of the professional class, the technical class, the auxiliary class and the minor technical class. Each of the classes within the two groups operated so rigidly that it was very difficult for a civil servant to move from a lower to a higher class. This implied that a civil servant once recruited remained in the same class or grade

throughout his service career. However, in 1974, based on the recommendations of the Udoji Commission on the re-organisation of the civil service, the Federal Government of Nigeria abolished the former four classes and replaced them with a unified grading system in which all the jobs or positions in the service were graded from levels 01-17, grade level 01 being the lowest while grade level 17 represents the highest position in the civil service. With this development, an employee can now join the service at level 01 and climbs upwards to his ability before retirement. In spite of this significant change, five main classes of civil servants still exist today in Nigeria, though not officially: These include the administrative class, the professional class, the executive class, the clerical class, and the manipulative class. Let us briefly explain each of these classes:

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- ii. ii. The professional class: This class consists of specialists like doctors, lawyers, engineers, surveyors, architects, etc., who are charged with the responsibility of advising the government on technical matters. These experts help the government in construction of roads, houses, run hospitals, engage in agriculture, etc.
- iii. iii. The executive class: The executive class consists of such positions as the executive officer, higher executive officer and senior executive officer. Civil servants in this class are involved in general administration and are charged with the actual implementation of government policies and programmes

## **UNIT 3 CIVIL SERVICE REFORMS: UDOJI COMMISSION**

### **Unit Structure**

- 3.1 Introduction
- 3.2 Learning Outcomes
- 3.3 The Udoji Commission of 1972
  - 3.3.1 Commission's Terms of Reference
- 3.4 Recommendation of Akintola Williams Committee
- 3.5 Summary
- 3.6 References/Further Reading/Web Resources
- 3.7 Possible Answers to Self-Assessment Exercise(s)



### **3.1 Introduction**

The significant milestone in the reforms of the civil service comes with the Udoji Commission of 1972. It was a thorough –going Public Service review which introduced a unified salary grading system and advocated new management techniques. It also introduced the open report system to replace the age-old confidential reporting, sought to make prescriptions for optimum utilisation of manpower and to evolve a development oriented public service. The commission also undertook the regrading of all posts in the public service, job evaluation of all posts and recommended salaries applicable and payable to each post



### **3.2 Learning Outcomes**

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

- discuss the Udoji commission
- state the contributions of Udoji Commission to the development of civil service in Nigeria.



### **3.3 The Udoji Commission of 1972**

A public service review commission was set up in September 1972 to carry out comprehensive review of the nation's public service. The commission was later customarily referred to as the Udoji Commission, after its chairman, Chief Jerome O. Udoji. More than any other

commission before it, the Udoji Commission had the highest wide ranging terms references. The commission was mandated to:

i. examine the organisation and structure of the public services ii. investigate and evaluate their methods of recruitment, conditions of service and staff development programmes iii. examine existing pension and superannuation schemes in the public and private sector iv. make recommendations that would facilitate inter-sectorial mobility, without detriment to the retention of efficient and qualified personnel in the public services; and v. undertake regrading of all posts in the public service and establish appropriate salary scales. Many scholars who studied the commission's report felt that the terms of reference were too broad, and it affected the quality of work done by the commission. Commenting on this, Williams (1979), said that, "Whilst there is much sympathy for a reform that is based on a careful consideration of inextricable bound social factors, a commission that has elastic terms of reference increased the likelihood that myriad social factors would intervene to distort objectives." Williams further asserted that the commission regarded development as its main concern and viewed the reform of the public services as instrumental to this.

### **3.3.1 Commission's Terms of Reference**

Consequent upon this, the commission's terms of reference can be seen as consisting of two parts:

- i. The fundamental and effective – which seeks to facilitate social development; and
- ii. The incidental and effective which seeks to renovate the public services as instrument for development. The commission submitted its report on 25th September 1974, exactly two years after it was established. True to its terms of reference, the commission reviewed every aspect of the country's public service including: recruitment, career and staff development, superannuation, salary grading and every sector of the public service, public enterprises, the teaching service, and the various local government administrations. The report was released in December 1974, with the government white paper on it (entitled, Government Views on the Report of the Public Service Review Commission). A summary of the Commission's report is as follows:
  - i. That the concept of result-oriented management be adopted
  - ii. That a unified structure be introduced
  - iii. That administration be transformed into 'management'
  - iv. That pay be dependent upon job content and performance
  - v. That promotion be based on merit and not seniority.
  - vi. That public sector compensation be related to private sector compensation
  - vii. That financial management be strengthened and modernised

- i. That personnel management practice be modernised (Obikeze and Obi; 2004:153)

Incidentally, immediately the report was released, several groups in the public sector raised a lot of dust about it. The mass discontent and industrial unrests which the report caused made the government to set up a new Review Panel to handle public discontent on the government white paper on Udoji Report.

### **Self-Assessment Exercises 1**

Explain the Udoji Commission of 1972  
Identify Commission's terms of reference

### **3.4 Recommendation of Akintola Williams Committee**

The committee was headed by Mr. Akintola Williams, the doyen of the accounting profession in Nigeria. In a nutshell, the Udoji Commission in its pursuit of a development oriented public service recommended the adoption of modern management techniques like the Planning, Programming, Budgeting Systems (PPBS), Management by Objectives (MBO) and project management in the Nigerian Civil Service. It equally advised that the dual hierarchies in ministers be abolished, while training should be intensified in order to make workers suitable to handle senior management positions. It reviewed and simplified the wage scales in the public service and reduced it from over a hundred to just seventeen. It must be pointed out that despite the fact that the issue of wages was the fourth issue in the commission's term of reference; the issue of wages almost overshadowed the other aspects of the commission's work and report. The result is that today, whenever Udoji Commission is mentioned, people think more about 'salary awards.' Perhaps this is due to the fact that many previous commissions before the Udoji Commission were wage commissions. Also, the fact that the awards had very adverse effect on the economy in terms of inflation has left most analysis of the commission in most texts to concentrate on the awards. By way of innovations, the Udoji Commission introduced a number of key features in the civil service, notably the opening of the post of Chief Executive of the Ministry referred to as permanent secretary, to both administrative and professional/specialist staff; the harmonisation and unification of job grading and salary system throughout the service; the introduction of a new code of conduct for all public officers. Since the commission's work was mainly on increasing efficiency and effectiveness of the public service, one will conclude by saying that though some minor improvements were made, the public service remained almost what it was before Udoji in terms of service delivery (Obikeze and Obi: 2004:154)

**Self-Assessment Exercises 2**

Discuss **the Recommendation of Akintola Williams' Committee**

**3.5 Summary**

The Udoji Commission which was set up in 1972 made far reaching recommendations to enhance the civil service, which this unit has highlighted. The Udoji Commission has been analysed for you to understand the past efforts of government in improving the civil service in particular and public service in general.

**3.6 References/Further Reading/Web Resources**

Obikeze, S.O. & Obi, E.A. (2004). *Public Administration in Nigeria: A Developmental Approach*. Onitsha: Book Point Ltd.

Udoji, J. (1995). *Under Three Masters: Memoirs of an African Administrator*. Ibadan: Spectrum Books.



### 3.7 Possible Answers to SAEs

#### Answers to SAEs 1

##### 1. The Udoji Commission of 1972

A public service review commission was set up in September 1972 to carry out comprehensive review of the nation's public service. The commission was later customarily referred to as the Udoji Commission, after its chairman, Chief Jerome O. Udoji. More than any other commission before it, the Udoji Commission had the highest wide ranging terms references. The commission was mandated to:

- i. examine the organisation and structure of the public services
- ii. investigate and evaluate their methods of recruitment, conditions of service and staff development programmes
- iii. examine existing pension and superannuation schemes in the public and private sector
- iv. make recommendations that would facilitate inter-sectorial mobility, without detriment to the retention of efficient and qualified personnel in the public services; and
- v. undertake regrading of all posts in the public service and establish appropriate salary scales.

##### 2. Commission's Terms of Reference

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- v. That promotion be based on merit and not seniority.
- vi. That public sector compensation be related to private sector compensation
- vii. That financial management be strengthened and modernized

**Answers to SAEs 2****1. Recommendation of Akintola Williams' Committee**

The committee was headed by Mr. Akintola Williams, the doyen of the accounting profession in Nigeria. In a nutshell, the Udoji Commission in its pursuit of a development oriented public service recommended the adoption of modern management techniques like the Planning, Programming, Budgeting Systems (PPBS), Management by Objectives (MBO) and project management in the Nigerian Civil Service. It equally advised that the dual hierarchies in ministers be abolished, while training should be intensified in order to make workers suitable to handle senior management positions. It reviewed and simplified the wage scales in the public service and reduced it from over a hundred to just seventeen. It must be pointed out that despite the fact that the issue of wages was the fourth issue in the commission's term of reference; the issue of wages almost overshadowed the other aspects of the commission's work and report. The result is that today, whenever Udoji Commission is mentioned, people think more about 'salary awards.' Perhaps this is due to the fact that many previous commissions before the Udoji Commission were wage commissions. Also, the fact that the awards had very adverse effect on the economy in terms of inflation has left most analysis of the commission in most texts to concentrate on the awards.

## UNIT 4 THE 1988 CIVIL SERVICE REFORM

### Unit Structure

- 4.1 Introduction
- 4.2 Learning Outcomes
- 4.3 The 1988 Civil Service Reform
  - 4.3.1 Objective of the Reform
- 4.4 Art Evaluation of the 1988 Reform
- 4.6 Summary
- 4.7 References/Further Reading/Web Resources
- 4.8 Possible Answers to Self-Assessment Exercise(s)



### 4.1 Introduction

The 1988 civil service reform was to professionalise the civil service. The position of permanent secretary became political and was designated Director-General. Ministers became the accounting officers instead of permanent secretary as it used to be before them. These features of the 1988 civil service reform and other major changes in it are discussed in this unit.



### 4.2 Learning Outcomes

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

- analyse the 1988 civil service reform
- evaluate the 1988 Reform



### 4.3 The 1988 Civil Service Reform

The Federal Military Government in 1984 set up a panel to study the structure, staffing and operations of the federal civil service and make appropriate recommendations which will enhance efficiency, effectiveness and productivity in the service. The panel equally submitted its report in 1985. Military President, General Ibrahim Babangida announced the reform package. As at the time the reforms were introduced in 1988, the civil service was already in a terrible state characterised by: Over-centralisation; incessant conflicts between the cadres; Scant emphasis on results and concrete performance; excessive

focus on compliance with regulations, forms and procedures, counter-productive separation of authority from responsibility at the top of the Civil Service hierarchy; dangerously low staff morale and productivity; inappropriate staff deployment practices which often ignored the profession or specialisation of staff, thereby putting square pegs in round holes in critical areas outside of the traditional registrable profession fields; and increasingly patent inability to cope effectively with the challenges of modern, complex and development hungry society. The above inevitable state of the nation's civil service resulted from long years of neglect by successive government that never bothered to invest in the civil service in the forms of office space, equipment materials, staff training, modern operational techniques, adequate staff remuneration and so on. The 1975 civil service purge by Murtala Mohammed equally adversely affected the civil service. These coupled with the fact that the Babangida regime embarked on a socio-economic restructuring of the nation through SAP and the fact that it was realised that a presidential system of government cannot be run successfully with a white hall civil service necessitated the reforms.

### **4.3.1 Objective of the Reform**

The reforms sought to:

- i. considerably enhance the degree of professionalism in the civil service.
- ii. align the service with the form and spirit of presidentialism.
- iii. ensure that its management and control systems are such as would no longer separate responsibility from authority at the top of the civil service hierarchy.
- iv. install accountability (not only for money, but also for performance) as the unmistakably hallmark of the civil service systems
- v. ensure that the systems significantly enhance the degree of efficiency, effectiveness, promptness and speed of civil service operations.
- vi. introduce considerable delegation of functions and power not only at the top but further down the line in the service.
- vii. install appropriate checks and balances to prevent misuse or abuse of authority, but without jeopardising the efficiency, speed and effectiveness of the service.
- viii. minimise, if not eliminate, areas of conflict, particularly at the top of the civil service.
- ix. significantly insulate the civil service from partisan politics, but at the same time, erect a smooth and efficient bridge between the civil service and the political/ruling class.
- x. Put the civil service in a form and shape which would enable it to meet the challenges of the modern age, with its emphasis on high

technology, speed of decision-making, efficient information systems and achievement orientation implement the reforms without jeopardising the unity and integrity of the civil service (Philips, 1988).

In order to achieve the above aims, the reforms emphasized four main elements. There are:

- i. enhanced professionalisation of the civil service
- ii. rationalisation of authority and responsibility at the top level of a ministry by making the minister instead of the permanent secretary as hitherto the chief executive and accounting officer of his ministry; and redesignating the permanent secretary as director-general who will now serve as the minister's deputy
- iii. installation of a strong scheme of checks and balances to prevent misuse or abuse of power especially on the part of the minister
- iv. enhancement and strengthening of the economic and financial management apparatus of the presidency by placing the Central Bank of Nigeria and the planning and budget office directly under the president. The plank on which the entire reform rested was on the professionalisation of the civil service, for the Dotun Philips Report recommended an enhanced professionalisation of the civil service through the following measures:
  1. The staff structure has been changed, so that there now existed in the civil service three basic staff categories, namely; assistant, officer and director, (each at different grades); the assistant is a sub-professional, the officer is a full professional, and the director is a full professional with general management responsibilities.
  2. Staff nomenclatures have been changed to reflect areas of specialisation, profession or basic function.
  3. The horizontal and vertical structures of the ministry have been changed to reflect professional and specialised operational areas.
  - iv. The central pooling and central deployment of staff have been discontinued.
  4. Each staff is now to spend his entire career in his ministry or extra, ministerial department.
  5. Much greater emphasis is now to be placed on staff training, which is now to be obligatory and systematically periodic for every staff in the civil service.
  6. Performance evaluation schemes at institutional and individual levels are being revamped to reflect overriding emphasis on concrete performance and accord less weighty than hitherto to politics, seniority and subjective factors.

Much greater decentralisation introduced in personnel, finance and operational matters (Philips, 1988) (Obikez and Obi, 2004: 155- 157)

**Self-Assessment Exercises 1**

Briefly discuss the 1988 Civil Service Reform  
Outline the Objective of the Reform

**4.4 Art Evaluation of the 1988 Reform**

The reform package despite its lofty look failed almost completely in achieving its aims people now remember it mainly for the change in the nomenclature of Permanent Secretaries to Director-Generals and for politicising the civil service.

Many factors have been adduced as reasons behind the failure of the reforms. We will look at a few of them.

The first factor is corruption. Corruption ate deep into the civil service and rendered it impotent. The civil service became a hot bed for corruption and as such the efficiency and effectiveness which the reform sought to achieve remained a pipe dream. Nobody was interested in the lofty ideals of the reforms. People were more interested in looting the public treasury.

Another factor that accounts for the failure of the reform is the politicisation of the appointment of Director-Generals. Though the reforms' objective of trying to "align the service with the form and spirit of presidentialism might look lofty; its implementation left much to be desired. It was hoped that Governors who were now empowered to appoint Director-General from where they deemed fit, would consider merit in exercising such powers. However, in actual practice, they saw it as an opportunity to reward political lackeys and errand boys. The position of Director-General became highly politicised. In some cases, fresh university graduates who had no experience at all were appointed to head ministries that had experienced civil servants, who in some cases had over thirty years' experience. As expected, there were a lot of frictions. This manner of appointments naturally affected morale of the top echelon of the civil service. Some of them felt that politics and politicians have invaded and desecrated the hallowed grounds of the service. Accusations of insubordination, sabotage, and lack of commitment became the order of the day. In such circumstances the reform couldn't have achieved anything meaningful. Thirdly according to Okoli and Onah the reform like its predecessors was based on faulty assumptions. The liberal approach of the reforms focused on the perceived problems of the civil service which were lack of appropriate managerial and professional skills, absence of organisational machineries needed for social change lack of appropriate management techniques,

antiquated personnel and financial management strategies and techniques, poor wages and inadequate incentives, inefficiency, ineffectiveness and low productivity.

By focusing on these problems, the reform failed to ask the important questions of:

- a. Why did many professionalised and well-trained public officers fail to perform in the past?
- b. Why we're existing machineries for public accountability weak?
- c. Why did corruption persist?
- d. Why we're existing punitive measures ineffective?
- e. Why did existing management practices and techniques not work satisfactorily?
- f. Why did some civil servants misuse their enormous administrative powers?

The reform simply failed to address these issues and could not see the limitation of the civil service in a neo-colonial capitalist state. Another factor which was reinforced by the corruption of that era was executive job insecurity. Citing Abubakar (1992), Okoli and Onah (2002) see the Babangida government's penchant for frequent change in executive leadership as a factor for the failure of the reform. Due to the fear of job security, those that occupied executive positions were much more pre-occupied with how much they will make before they will be removed, than with implementing government policies. The frequent changes which were necessitated by the need to allow the pie go round the 'boys' made every top government functionary believe that the position he is occupying is meant for him to better himself through corrupt practices and that he had just a little time to do this before it gets to another person's turn. Under this 'chop and go' attitude, it was just not possible to achieve the activities of the reform.

### Self-Assessment Exercises 2

**Discuss the Art Evaluation of the 1988 Reform**



### 4.5 Summary

The unit has discussed the features of the 1988 Civil Service Reforms for you to know its problems and prospect. The reform had since been reformed by the Ayida Panel of 1994 which is the next and last unit to be discussed in the course

The 1988 Civil Service Reform and its evaluation were disused. Since no reform has the overall solution to problems, the 1988 reform was not an

exception, and therefore, its shortcomings were remedied by the 1994 reform.



#### **4.6 References/Further Reading/Web Resources**

Abubakar, H. I. (1992). "The Philosophy and Rationale for the Civil Service (Reorganisation) Decree No. 43." In: Yahaya, A.D. (Ed.). *New Trends in Personnel Management*. Ibadan: Spectrum Books Ltd.

Okoli, F.C. & Onah, F.O. (2002). *Public Administration in Nigeria: Nature, Principles and Application*. Enugu: John Jacob's Classic Publisher Ltd.

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## 4.7 Possible Answers to SAEs

### Answers to SAEs 1

#### 1. The 1988 Civil Service Reform

The Federal Military Government in 1984 set up a panel to study the structure, staffing and operations of the federal civil service and make appropriate recommendations which will enhance efficiency, effectiveness and productivity in the service. The panel equally submitted its report in 1985. Military President, General Ibrahim Babangida announced the reform package. As at the time the reforms were introduced in 1988, the civil service was already in a terrible state characterised by: Over-centralisation; incessant conflicts between the cadres; Scant emphasis on results and concrete performance; excessive focus on compliance with regulations, forms and procedures, counter-productive separation of authority from responsibility at the top of the Civil Service hierarchy; dangerously low staff morale and productivity; inappropriate staff deployment practices which often ignored the profession or specialisation of staff, thereby putting square pegs in round holes in critical areas outside of the traditional registrable profession fields; and increasingly patent inability to cope effectively with the challenges of modern, complex and development hungry society. The above inevitable state of the nation's civil service resulted from long years of neglect by successive government that never bothered to invest in the civil service in the forms of office space, equipment materials, staff training, modern operational techniques, adequate staff remuneration and so on. The 1975 civil service purge by Murtala Mohammed equally adversely affected the civil service. These coupled with the fact that the Babangida regime embarked on a socio-economic restructuring of the nation through SAP and the fact that it was realised that a presidential system of government cannot be run successfully with a white hall civil service necessitated the reforms.

#### 2. Objective of the Reform

The reforms sought to:

- i. considerably enhance the degree of professionalism in the civil service
- ii. align the service with the form and spirit of presidentialism
- iii. ensure that its management and control systems are such as would no longer separate responsibility from authority at the top of the civil service hierarchy
- iv. install accountability (not only for money, but also for performance) as the unmistakably hallmark of the civil service systems
- v. ensure that the systems significantly enhance the degree of efficiency, effectiveness, promptness and speed of civil service operations

- vi. introduce considerable delegation of functions and power not only at the top but further down the line in the service

### **Answer to SAEs 2**

#### **1. Art Evaluation of the 1988 Reform**

The reform package despite its lofty look failed almost completely in achieving its aims people now remember it mainly for the change in the nomenclature of Permanent Secretaries to Director-Generals and for politicising the civil service.

Many factors have been adduced as reasons behind the failure of the reforms. We will look at a few of them.

The first factor is corruption. Corruption ate deep into the civil service and rendered it impotent. The civil service became a hot bed for corruption and as such the efficiency and effectiveness which the reform sought to achieve remained a pipe dream. Nobody was interested in the lofty ideals of the reforms. People were more interested in looting the public treasury.

Another factor that accounts for the failure of the reform is the politicisation of the appointment of Director-Generals. Though the reform's objective of trying to "align the service with the form and spirit of presidentialism might look lofty; its implementation left much to be desired. It was hoped that Governors who were now empowered to appoint Director-General from where they deemed fit, would consider merit in exercising such powers. However, in actual practice, they saw it as an opportunity to reward political lackeys and errand boys. The position of Director-General became highly politicised. In some cases, fresh university graduates who had no experience at all were appointed to head ministries that had experienced civil servants, who in some cases had over thirty years' experience. As expected, there were a lot of frictions. This manner of appointments naturally affected morale of the top echelon of the civil service. Some of them felt that politics and politicians have invaded and desecrated the hallowed grounds of the service. Accusations of insubordination, sabotage, and lack of commitment became the order of the day. In such circumstances the reform couldn't have achieved anything meaningful. Thirdly according to Okoli and Onah the reform like its predecessors was based on faulty assumptions.



## UNIT 5 CIVIL SERVICE REFORMS OF 1997

### Unit Structure

- 5.1 Introduction
- 5.2 Learning Outcomes
- 5.3 Civil Service Reforms of 1997
  - 5.3.1 Ayida Panel of 1994 Civil Service Reform
  - 5.3.2 Civil Service Reforms of 1997
- 5.4 Moral and Corruption in the Public Service
- 5.5 Summary
- 5.6 References/Further Reading/Web Resources
- 5.7 Possible Answers to Self-Assessment Exercise(s)



### 5.1 Introduction

This unit will be discussing the 1994 Review Panel on civil service reform which was referred to as the Ayida Panel, named after its chairman, Alison Ayida. Its recommendations will be outlined.



### 5.2 Learning Outcomes

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

- discuss the Civil Service Reforms of 1997
- describe the **Ayida Panel of 1994 civil service reform**
- explain the Moral and Corruption in the Public Service.



### 5.3 Civil Service Reforms of 1997

#### 5.3.1 Ayida Panel of 1994 Civil Service Reform

The 1994 Review Panel on civil service reform which was referred to as the Ayida Panel, named after its chairman, Alison Ayida, actually submitted its report in June 1995. It was later in 1997 that the government began to gradually implement its recommendations. According to Otoba (2002), the two key features of the 1988 reforms which the Panel reaffirmed were the personnel management board in each ministry and the devolution of authority to incur expenditure to certain categories of senior management staff specifically to the level of assistant director and above. The Panel also made a case for upward review of pay and other incentives for civil servants in view of the serious decline in the value of

the naira caused by inflation and devaluation. The Panel also addressed the issue of federal character and corruption in the bureaucracy. The abuse of the federal character principle had led to low morale and performance in the civil service, thus making one panel to recommend that recruitment into the civil service, especially at the entry grades of professional cadres, should as much as practicable be based on a combination of merit and federal character so that the best candidates from each state are selected on a purely competitive basis. It equally recommended that in order to eradicate the widespread corruption in the civil service, strict sanctions be applied against those caught in corrupt practices, while the remuneration of civil servants should be sufficient enough to discourage corruption. It needs be pointed out that politicisation of the civil service, as regards appointment of Directors-General has since been reversed to the status-quo. The career permanent secretaries have since been restored (Obikeze and Obi, 2004:158-9).

### **5.3.2 Civil Service Reforms of 1997**

The following are the decisions of the federal government from the white paper published in June, 1997 on the recommendations earlier submitted to it by the Ayida Panel in June, 1995.

#### **Recommendations of the Civil Service Reforms of 1997**

- i. Ministries and extra-ministerial departments should be structured according to their objectives, functions and sizes and not according to a uniform pattern.
- ii. The minister should no longer be the accounting officer of the ministry. This function now becomes the responsibility of the director-general. The minister should continue to be the head and chief executive of the ministry while the director-general is the chief adviser to the minister and the accounting officer.
- iii. Government accepted the recommendation that the title of director-general should revert to permanent secretary. This will remove the confusion between the directors-general of ministries and those of parastatals and myriads of government agencies.
- iv. Government accepted the recommendation that the post of permanent secretary should be a career post. Appointments will be made from among serving senior officers in the civil service on the advice of the Head of the Civil Service and the Chairman of the Civil Service Commission.
- v. Government accepted the recommendation that the post of Head of Civil Service should be restored, and that he should be from among permanent secretaries or officers of equivalent ranks. The panel had recommended that both the post of Head of Civil Service and that of the Secretary to the Government should be filled from among the permanent secretaries or officers of equivalent rank.

While government accepted the recommendation on the appointment of the Head of Civil Service, it rejected the recommendation on the - Secretary to the Government. This latter post will remain a political appointment to be filled at the discretion of the President.

- vi. The panel recommended and government accepted that the following parastatals be scrapped:
  - a. National Council on Inter-Governmental Relations
  - b. National Committee against Apartheid
  - c. Centre for Democratic Studies.
- vii. The Panel had been astonished to discover that the Office of the Secretary to the Government of the Federation supervises about forty parastatals and agencies. This has made the office complex and unwieldy and has led to duplication of functions, lack of clearly defined lines of authority and conflict of roles. Besides, parastatals and agencies prefer to hide under the Presidency to avoid close scrutiny and supervision by ministries and to facilitate and obtain funds through the Presidency. Apart from the three agencies approved for scrapping above, government approved those twelve other parastatals and agencies be transferred to relevant ministries connected with the functions of each agency
- viii. Government accepted the recommendation that the Federal Executive Council should meet at least fortnightly so as to enhance the coordination of government policies. The panel got to know that the Federal Executive Council hardly ever met. There was no coordination of policy, there were frequent frictions between ministers and each minister contrived to see the Head of State and get approval for whatever he wanted, while there were some ministers who never succeeded in getting to the presence of the Head of State.
- ix. Government accepted the recommendation that the "Guidelines of Administrative Procedure of the Federal Government" should be updated and applied in the conduct of government business. The document stipulates the procedures and rules for the conduct and interrelationship of various arms of government.
- iv. Every ministry and extra-ministerial department should have the following staff committees for dealing with personnel matters: a. Management Staff Committee for officers on G.L. 14-17; b. Senior Staff Committee for officers on G.L.07-13; c. Junior Staff Committee at Headquarters for officers on G.L. 01-06; d. Junior Staff Committee at out-stations for officers on G.L. 01-06.
- v. Recruitment into the civil service at the entry grades should be based on a combination of merit and federal character, but for further progression thereafter it should be based normally on merit.
- vi. Maturity period for promotion of staff should be: G.L. 01-06 - 2 years. G.L. 07-14 - 3 years. G.L. 15-17 - 4 years.

- vii. The Pool System which was abolished by the 1988 Reforms was restored in respect of the following cadres: Accountants, Administrative Officers, Auditors (External), Executive Officers (Account and General Duties), Information Officers, Legal Officers, Librarians and Library Officers, Medical, Health and Auxiliary Officers, Engineers, Architects, Surveyors, Technicians, Secretarial and Typist cadre.
- viii. Government observed that the present 10 per cent of annual personal emoluments, set aside for training appears grossly inadequate. Government therefore directed that adequate provision be made in each department's budget until the training need of the civil service is well addressed.
- ix. A senior management course should be introduced for all officers who are expected to attend it before entering the senior management category on G.L. 14
- x. Study leave without pay was restored as a way of encouraging officers to improve themselves to render valuable service. xvii. Government accepted the recommendation that the Centre for Democratic Studies be scrapped. As for the recommendation that the premises be converted to start a Civil Service College, government noted that the premises had already been handed over to the Nigerian Law School. However, government directed that the development of a Civil
- xi. Service College at Abuja should be given priority attention.
- xii. Ministries and extra-ministerial departments should set targets for themselves, their departments and divisions as well as individual staff, and each ministry should submit an annual report of its activities to the government within the first quarter of the succeeding year.
- xiii. Retirement age in the civil service should be 60 years irrespective of the length of service.
- xiv. Government accepted the recommendation that there should be no retirement of any civil servant without following all laid-down procedures. This is to prevent indiscriminate and arbitrary retirement of civil servants.
- xv. Pensions should continually be reviewed upwards immediately salaries and allowances are reviewed, and in particular government accepted the recommendation that pension rates of those who retired since 1991 be harmonised.
- xvi. A Funds Allocation and Budget Committee should be established in every ministry, extra-ministerial department and parastatal and its recommendations should be submitted to the Minister or Chairman, as the case may be for approval.
- xvii. Powers to approve expenditure should be devolved down to G.L. 14 officers and heads of out-stations

- xviii. Government approved that tenders' procedures should be followed strictly in the award of contracts (Adebay, 2000:217-8).

### Self-Assessment Exercises 1

Explain the Ayida Panel of 1994 civil service reform  
Outline 10 recommendations of Recommendations of the Civil Service Reforms of 1997

## 5.4 Moral and Corruption in the Public Service

The major problem in the civil service in Nigeria today and even in the past has remained corruption. Instituting various reforms without tackling this monster called corruption will simply remain an exercise in futility. It is only when corruption is eradicated that we can talk about actually reforming the civil service to be people-oriented and capable of living up to its billing as it is in other parts of the world. The Nigerian Civil Service today has both the managerial and the technical capacity to excel to very high standards, but that will be only and surely if corruption that has been applying the brakes on this reservoir of human knowledge and intellect is given a killer punch. The following are further recommendation of Ayida Panel accepted by the Federal Government:

- a. Government approved the recommendation that job security should be restored in the civil service and that normal disciplinary procedures should be followed in dealing with erring staff
- b. Basic facilities like stationery, typewriters, telephones, photocopiers, etc., should be made-available to enable staff perform their duties efficiently.
- c. The problem of transportation affects efficiency when staff find it difficult in being punctual because of transportation problems or have to spend so much of their meager salary on buses and taxis. This leads to truancy and absenteeism. To remedy the situation, "Government agrees to provide adequate and coordinated transportation facilities by road, rail and waterways for civil servants and other urban dwellers. In the meantime, government directed that each ministry/extra-ministerial department should provide and maintain adequate staff bus services for its staff. Furthermore, government will encourage the administration of the Federal Capital Territory and other major cities to improve mass transit services in the nation's urban centres."
- d. Merit awards should be instituted for long-serving and outstanding civil servants. But government will no longer allow public officers to accept traditional titles in any form.
- e. The panel had recommended that there should be upward review of housing loans and motor vehicle advances in view of the high

rate of inflation in the country. Government, on its part, said that it is aware of the present high cost of building houses and purchase of vehicles in the country and that it has become increasingly difficult to fix adequate level of housing and vehicle loans because of the recovery terms. In view of this, government directed a comprehensive review of the existing situation by the Ministries of Works, Finance and National Planning, and the Head of Civil Service and a report to be submitted to government for consideration and approval.

- f. Government accepted the recommendation that the suspension placed on promotion be lifted.
- g. In order to improve morale and reduce corruption, the panel recommended that salaries and allowances of civil servants should be substantially reviewed upwards. Government said that it "is aware that the public officer is the least paid worker in the economy" and that "consequently adequate measures will be taken to redress the situation." 82
- h. On the recommendation that civil service salaries should be adjusted annually to accord with inflation in the economy, "Government accepts in principle, the idea of annual 'review of salaries and allowances in the civil service, and directs the National Salaries, Income and Wages Commission to advise accordingly, taking into account productivity and government revenue profile to support the policy."
- i. The panel recommended that education allowance should be introduced as an item in the pay package of civil servants. Government noted this recommendation and directed the National Salaries, Income Commission to advise accordingly.
- j. The panel recommended that government should embark on a commitment to eradicate corruption both in the public service and in the larger society. Government accepts this recommendation" and also observed that "as a matter-of-fact government has put in place a policy on War Against Indiscipline and Corruption which should be intensified."
- k. Government accepted the recommendation that government leaders, should lead by example.
- l. Government-accepted the recommendation that political office holders and other public functionaries should be made to adhere strictly to the rules and regulations guiding the conduct of government business.
- m. m. The panel recommended and government accepted that strict sanctions should be applied against those found to have engaged in corrupt practice and they should be publicly exposed.
- n. n. Government accepted the recommendation that public functionaries found to have corruptly enriched themselves in the

past should not be appointed to any public post or fraternised with by government (Adebayo, 2000:219-220)

## 5.5 Other Matters

Other recommendations of the Panel accepted by the federal government were:

- i. Government accepted the recommendation that basic working tools and facilities be adequately provided to enhance efficiency in the civil service.
- ii. Government accepted the recommendation that the housing loan entitlement of civil servants should be increased substantially and the fund allocation to the staff housing scheme should be increased. Government accordingly, directed the Federal Staff Housing Loans Board to liberalise its terms.
- iii. In the spirit of deregulation of labour whereby each tier of government is independent and is required to negotiate with its staff based on its ability to pay, government decided that the decisions of the federal government on the panel's report should not be made mandatory on state and local governments. State and local governments should be free to adopt or adapt any of the recommendations in the report as they may deem suitable.
- iv. Government accepted the recommendation that an implementation committee be constituted to implement the accepted recommendations of the panel's report.

### Self-Assessment Exercises 2

**Discuss the Moral and Corruption in the Public Service**



## 5.6. Summary

Irrespective of the different orientation of the various civil service reforms in Nigeria in both pre and post-independence the basic fact remains that the main aim of all of them has always been to make the civil service more efficient, effective, and result oriented. However, it is quite appalling that despite all the resources sunk into the civil service in Nigeria, it has failed to live up to expectations of the people as the engine of growth and development. The various reforms of the service have not helped in any significant way in bringing about the desired state. Worse still, some have even seen the reforms as a way of 84 creating jobs for retired bureaucrats and political cronies of the governments that initiate such reforms.

The 1997 reforms of the civil service went to the roots of the problems militating against efficiency and devotion to duty in the civil service. However, it is another to ensure that the prescriptions are carried out. Compliance with any reforms of civil service must spring from the mental attitudes of the civil servants. It must be informed by a conscious determination on the part of the rulers to the state and federal levels to maintain and uphold an enlightened and honest public service.



### **5.7 References/Further Reading/Web Resources**

Adebayo, A. (2000). *Principles and Practice of Public Administration in Nigeria*. (2nd ed.). Ibadan: Spectrum Books Limited.

Obikeze, S.O. & Obi, E.A. (2004). *Public Administration in Nigeria: A Developmental Approach*. Onitsha: Book Point Ltd.



## 5.8 Possible Answers to SAEs

### Answer to SAEs 1

#### 1. Ayida Panel of 1994 civil service reform

The 1994 Review Panel on civil service reform which was referred to as the Ayida Panel, named after its chairman, Alison Ayida, actually submitted its report in June 1995. It was later in 1997 that the government began to gradually implement its recommendations. According to Otoba (2002), the two key features of the 1988 reforms which the Panel reaffirmed were the personnel management board in each ministry and the devolution of authority to incur expenditure to certain categories of senior management staff specifically to the level of assistant director and above. The Panel also made a case for upward review of pay and other incentives for civil servants in view of the serious decline in the value of the naira caused by inflation and devolution. The Panel also addressed the issue of federal character and corruption in the bureaucracy. The abuse of the federal character principle had led to low morale and performance in the civil service, thus making one panel to recommend that recruitment into the civil service, especially at the entry grades of professional cadres, should as much as practicable be based on a combination of merit and federal character so that the best candidates from each state are selected on a purely competitive basis. It equally recommended that in order to eradicate the widespread corruption in the civil service, strict sanctions be applied against those caught in corrupt practices, while the remuneration of civil servants should be sufficient enough to discourage corruption.

#### Recommendations of the Civil Service Reforms of 1997

Ministries and extra-ministerial departments should be structured according to their objectives, functions and sizes and not according to a uniform pattern.

The minister should no longer be the accounting officer of the ministry. This function now becomes the responsibility of the director-general. The minister should continue to be the head and chief executive of the ministry while the director-general is the chief adviser to the minister and the accounting officer.

Government accepted the recommendation that the title of director-general should revert to permanent secretary. This will remove the confusion between the directors-general of ministries and those of parastatals and myriads of government agencies.

Government accepted the recommendation that the post of permanent secretary should be a career post. Appointments will be made from among serving senior officers in the civil service on the advice of the Head of the Civil Service and the Chairman of the Civil Service Commission.

Government accepted the recommendation that the post of Head of Civil Service should be restored, and that he should be from among permanent secretaries or officers of equivalent ranks. The panel had recommended that both the post of Head of Civil Service and that of the Secretary to the Government should be filled from among the permanent secretaries or officers of equivalent rank. While government accepted the commendation on the appointment of the Head of Civil Service, it rejected the recommendation on the - Secretary to the Government. This latter post will remain a political appointment to be filled at the discretion of the President.

The panel recommended and government accepted that the following parastatals be scrapped:

- a. National Council on Inter-Governmental Relations
- b. National Committee against Apartheid
- c. Centre for Democratic Studies.

The Panel had been astonished to discover that the Office of the Secretary to the Government of the Federation supervises about forty parastatals and agencies. This has made the office complex and unwieldy and has led to duplication of functions, lack of clearly defined lines of authority and conflict of roles. Besides, parastatals and agencies prefer to hide under the Presidency to avoid close scrutiny and supervision by ministries and to facilitate and obtain funds through the Presidency. Apart from the three agencies approved for scrapping above, government approved those twelve other parastatals and agencies be transferred to relevant ministries connected with the functions of each agency

Government accepted the recommendation that the Federal Executive Council should meet at least fortnightly so as to enhance the coordination of government policies. The panel got to know that the Federal Executive Council hardly ever met. There was no coordination of policy, there were frequent frictions between ministers and each minister contrived to see the Head of State and get approval for whatever he wanted, while there were some ministers who never succeeded in getting to the presence of the Head of State.

Government accepted the recommendation that the "Guidelines of Administrative Procedure of the Federal Government" should be updated and applied in the conduct of government business. The document stipulates the procedures and rules for the conduct and interrelationship of various arms of government.

## **Answer to SAEs 2**

### **1. Moral and Corruption in the Public Service**

The major problem in the civil service in Nigeria today and even in the past has remained corruption. Instituting various reforms without tackling this monster called corruption will simply remain an exercise in futility. It is only when corruption is eradicated that we can talk about actually reforming the civil service to be people-oriented and capable of living up to its billing as it is in other parts of the world. The Nigerian Civil Service today has both the managerial and the technical capacity to excel to very high standards, but that will be only and surely if corruption that has been applying the brakes on this reservoir of human knowledge and intellect is given a killer punch. The following are further recommendation of Ayida Panel accepted by the Federal Government:

Government approved the recommendation that job security should be restored in the civil service and that normal disciplinary procedures should be followed in dealing with erring staff

Basic facilities like stationery, typewriters, telephones, photocopiers, etc., should be made-available to enable staff perform their duties efficiently.

The problem of transportation affects efficiency when staff find it difficult in being punctual because of transportation problems or have to spend so much of their meager salary on buses and taxis. This leads to truancy and absenteeism. To remedy the situation, "Government agrees to provide adequate and coordinated transportation facilities by road, rail and waterways for civil servants and other urban dwellers

### **Model of Public Enterprises (PEa) In Developing Economy**

In any economy, there are four types of economic activity: first, those which are privately remunerative – provided by market through Directly Productive Investments (DPI); secondly, those which are socially profitable but not privately remunerative – provided by State, like road building, irrigation, through Social Overhead Capital (SOC); and third, those which are privately remunerative but not capable of private execution, like heavy industry, high technology involving capital intensive investments like power, transportation, etc. – also provided by the State with/without the help of the market; and fourth, those which are natural monopolies. PEs are set up to undertake the second, third and fourth category of activity. The third category of activity can be transferred to the private sector when the capitalist development in these countries attain sufficient maturity to enable them to handle capital intensive investment where private sector development takes place along with financial sector restructuring. That State intervention through economic planning and PEs can help countries to catch up decades of poor growth and slow development is also borne out by experiences in India, Mexico, South Korea, Brazil and China. Ideological and strategic economic and social considerations provided the genesis of growth and development of Public Sector in several of these countries.

In the Indian context the forms of PEs included (1) Statutory Corporation where PEs are formed under Acts of Parliament like (2) Holding Companies (a set of companies in one type of activity bound together e.g. Coal India, Bharat Bhari Udyog Nigam etc.), (3) Departmental Enterprises like the massive Indian Railways as well as ISSRO in the Department of Space, the Atomic Energy Department establishments – not forgetting the huge Indian Posts & Telegraphs Department (4) other forms like Public Limited Companies. That this is a critical pre-condition for PE management success is also evident from the Japanese experience where PEs are formed in several different categories like Kosha, Gengo, YO, Kokyo Hojin, Kodan, Jigyodan, Kinko, Koko, Eidan, Tokushu, Kaisha & Koshi Kongo Kigyo.

That the role of the State has increased manifold in the advanced countries is also evident from (i) the percentage of government expenditure in the GDP in those countries as well as (ii) increasing levels of tax collection by their governments as percentage of their GDP. Thus, government's expenditure exceeded 40% of GDP in Austria, Belgium, Canada, France, Germany, Italy, Netherlands, Norway, Spain, Sweden and Britain in 1996. Similarly, the ratio of the tax revenue to GDP exceeded 40% in several OECD countries including Sweden, Denmark, Finland, Belgium, France, Austria, Italy, Norway, Greece, Germany, Britain and Canada in 2000. There is an overall realisation on Galbraith's conclusion<sup>17</sup> that affluent societies must strike a social balance between the production of private goods and the provision of public amenities. That such a balance is difficult if not impossible to achieve in a country like India is evident from the extremely low level of tax to GDP ratio which still ranges below 10%. The link between public finance and public enterprise is therefore extremely important. The short-sighted approaches of several developing countries including India to reduce fiscal deficit by selling public enterprises- which follow from inadequacies of public finance management – could be disastrous in the long run.

### **Issues of Governance and Management in Public Enterprises**

The composition of boards of PEs is an important issue. In China's CNOOC, Chief Executive Officer (CEO) Fu Chengyu has two foreigners in his Board from Shell and Goldman Sachs who recently last July 2005 played an important role in preparing CNOOC's bid for US Company Unocol against Chevron. In Indian PEs like ONGC (which is the counterpart of CNOOC), the question of inducting foreigners in the Board has so far been unheard of.

The French system of "contrat du programme" combined with "a posteriori" control replacing "a priori" control prevalent in most developing countries is also an important institution. In the Indian context the system of MOU has not made much impact owing to continued "a priori" control of the Government over PEs. The option of preparing Department-wise "Performance Aims and Financial Targets" documents

attempted in the Ministry of Steel & Mines in late 1980 with its impact on PE performance should be looked at again. Clear guidelines for investment policy and price policy of PEs can also clarify the PEs role. Wrong investment decisions taken by Government led to enormous delays in project management.

In 1987, a Committee under the Chairmanship of Ratan Tata recommended that Public Investment Board, Project Appraisal Division, Plan Finance Division and associated agencies should be merged in a Financial Institution so that there is appropriate accountability for implementation of their decision. This recommendation is yet to be considered by the Indian Government. This needs urgent consideration. Whether some selected PEs should be placed under Management Contract or Lease or Joint Venture should also be examined – as options of non-divestiture led privatisation is also an important issue. The need to institutionalise the “partnership” between the Government and the PE without diluting their accountability in the running of PEs is an equally important issue in efficient running of PEs. China’s SASAC and Singapore’s Temasek and Malaysia’s Khazana are interesting institutions which could throw new light against the increasingly dysfunctional Indian system of a whole lot of supervising Ministries numbering 38 today – which oversee 240 PEs under Central Government without accountability for their underperformance.

### **Synergy between the State and the Market**

It should also be emphasised that Public Enterprises are generally established with two distinct strategies – take over or nationalisation of the existing activity in the private sector as well as creation of new activity in the public sector through investments which are entrepreneurial in nature.

Public Enterprises created by the newly independent countries as the visible hand of the State through the post-independence “planning” machinery in the “mixed” economy like the PEs in India belong to the second category.

Unfortunately, the setting up of these Public Enterprises in these economies in order to ameliorate the problem of “market failure” brought in “government failure” in many countries with its impact on the “managerial failure” and deficiencies in PE management. This “vicious circle” which has since been broken in several countries with improved “management”, as well as “control” of the State replaced by “partnership” between the State and the PEs - once again needs urgent attention. The issue today is no longer “Rivalry” between the State and the Market but how to achieve “Synergy” which eluded the grasp of several developing countries. The assumption that State has no role in economic activity and

the Markets do not fail - have both proved to be incorrect. Several PEs today continue to run efficiently in France, Japan, Germany, Italy, Australia, South Korea, China, Malaysia, Philippines, Indonesia, Sri Lanka, India as well as in Africa and Latin America. The paradigm of “Synergy” between State and Market achieved by China where they have opened up their economy for the private enterprises without privatising their PEs – can even be revolutionised if we can consciously bring in the new regime of Government – Industry (both PE and private enterprise) partnerships as well as introduce Public – Private Competition to ensure (i) not only the PEs run well with the active involvement and leadership of their governments (ii) but also that Private Enterprises run well with the new norms of corporate governance. Both PEs and private enterprises could thereby achieve “Efficiency” and “Welfare”. It is pertinent to mention that the US Congress not only passed the legislation of “Government Performance and Results Act, 1993” applicable to all civil servants of the State but also “Sarbanes Oxley Act of 2002” applicable to all private enterprises in the country. It is equally pertinent to mention that China’s “State Asset Supervision & Administration Commission” (SASAC) has replaced the dysfunctional role of several scores of Administrative Ministries/Departments in the Chinese Government, even though the Administrative Ministries continue to play their dysfunctional role of control and fiefdom without sharing either accountability or responsibility for PE performance in several countries, including India.

### **State Owned Enterprise Models**

Temasek, Singapore 19 – one of the largest State investment agency owned by the State of Singapore; Baosteel, China 20 – one of the largest steel producing company in the world owned by the State of China (PRC); EdF, France 21 one of the largest power generating- cum-distributing company in France owned by the State – which is also one of the largest power generating companies in the world; NTT 22 NTT Do Como and NTT Data – one of the largest group in communication industry owned by the State of Japan NTT alone had until recently occupied fourth position in the League table of global companies; ENI Italy 23 – one of the largest energy groups in the world, owned by the State of Italy; also Oil & Natural Gas Corporation of India 24 which figures as the largest Indian company in FT 500, which is also owned by the State. These are not the only examples of State Owned

Enterprises (SOEs) which are also called the Public Enterprises which are managing huge operations with great efficiency in various developed and developing countries of the world. Volkswagen in Germany, Pohang Steel in South Korea, Pertamina in Indonesia, Khazana in Malaysia – we can go on adding similar PEs in other countries to the list. Indeed, we should not be misled into thinking that it will be a retrograde step to once again have a close look at the PEs of the world and ensure that they follow the guiding light of “excellence” still burning bright in countries like Japan,

France, Italy, China, Singapore. Even in India where several PEs are rightly under attack for their less than satisfactory performance – some of the largest and best run corporate enterprises like ONGC, Indian Oil, National Aluminum, Steel Authority of India, etc. are SOEs.

The “drama” of Development in the last few decades after the end of the Second World War, unfolded powerful scenes of both “rivalry”, “synergy” as well as “control-cum-freedom” syndrome in the role of State and Market in different parts of both capitalist and socialist economies. Adam Smith’s “Invisible Hand of the Market Forces” was clearly flawed in several of its invalid assumptions like perfect competition on the demand as well as on the supply side with perfect market information and absence of indivisible factors of production and economies of scale; In post-Marxian, post-Soviet and post-Keynesian decades, therefore, the “State” intervened to correct the “market failures”. The “market failure” syndrome including absence of markets was also written largely in developing countries even before they gained their independence from the colonial “State” as the so-called free markets did not provide any engine for growth or development in these countries.

### **How to privatise public enterprises efficiently when considered necessary?**

A balanced agenda of PE reform as well as privatisation or Divestiture can be presented in the flow diagram in the following page. Backward and forward linkages are critical to any successful privatisation. Inability to undertake investment for renewal and repair of rail track by the privatised British Rail led to their re-nationalisation in UK during the last one and half years (2004-05). This is a reminder of what can go wrong despite the overall success of British privatisation. The experience of France though quite different from that in Britain also had its own lessons. While cash may be welcome to be raised through privatisation, the French will not exchange the cash for “control” which must continue with the government. The French always maintained this attitude towards the role of government which can be expressed in their saying - it is better to be “French and inefficient” rather than “foreign and efficient”. This goes back to the influence of Colbertism in France. Similarly, the paradigm of Government-Industry partnership in Japan cannot be easily traded for privatisation of ownership of Japanese PEs. In Japan, “privatisation often conveys commercialisation of departmental PEs into joint stock companies with shares owned by the State. There are other models which have their own lessons. Big bang hasty and wrong privatisation and divestiture led to destruction of the economy of Russia where the economy suffered from negative growth rate throughout the decade of 1990-2000. Slow and steady opening up of the economy in China introducing competition and tremendous vigor without divestiture of PEs is another equally impressive model.

### **How to run public enterprises well?**

In order to attack “market failure” - Public Enterprises must after they set up, avoid “government failures” as well as consequent “managerial failure” in their operation. Managerial failure invariably follows from inability of governments to adopt sound policies on investment, prices, financing, as well as on new projects which are invariably delayed and several other areas affecting the management of PEs. Inability of governments to build effective and efficient managerial cadres for the PEs and provide the managerial cadres with necessary autonomy to run PEs with efficiency and welfare also result in managerial failures. In earlier stages of PE development it was felt necessary to delink the impact of managerial decision making by governments as policy- makers – but governments continue to enjoy over-riding strategic powers of appointing the PE Board, fixing their terms and remuneration, deciding on all new investments and expansion, fixing prices, approving contracts and purchases – besides policy on location, employment etc. without co-sharing either the corporate risk of managing the PEs or being accountable for PE performance. The experience of countries like Japan and France shows that the governments and PEs can and do operate as “partners” in development and not as “adversaries” unable to share both “success” and “failure”. The checklist of issues to ensure that PEs run efficiently with its accountability to the public as well as to the governments which are their owners would also include several issues, like:

- (i) The pattern of ownership and management of Public Enterprises which vary from country to country. Management is an extension of the ownership pattern. Given a corporate form, Public Enterprises is managed by a Board of Directors. Ownership provides the authority to Government.
- (ii) Building Managerial Cadres for the PEs which could be inside the Civil Services, like the Central Administrative Pool and the Industrial Management Pool of India as successor to the Commerce Finance Pool in the ICS as well as professional civil services in the Indian Railways, Ordnance Factories, Atomic Energy and Space Organisations, etc. as well as Career Executive Service in Philippines/Iran and related institutions like the ENA of France which throws up some of the brightest leaders of French PEs. Alternatively, PE based management cadres can also be established like Tata Administrative Service in the Tata Group of Companies in India. Induction of appropriate managerial remuneration which should relate to remuneration in the private sector is also an urgent issue that needs to be addressed.

Public enterprises were created in most countries to accelerate economic and social development. Yet, increasing evidence indicates that most public enterprises either do not contribute strongly to development or perform their public service functions ineffectively or inefficiently. Policy

makers engage in continuing debates over whether or not state-owned corporations contribute to economic and social development, why so many have failed to deliver effectively the services for which they were created, and how their management can be improved. These issues will become more crucial as governments in developing and emerging market countries consider how best to achieve economic and social development in an age of globalisation, how to over the past 50 years governments around the world established large numbers of public enterprises to accomplish development objectives, among the most important of which were to provide services and infrastructure that could not easily be extended by conventional departments and agencies of the State or by a weak or fledgling private sector. In many countries, however, state-owned enterprises took on a life of their own. Many pursued their objectives independently of government development policy or failed to perform efficiently and effectively functions for which they were created. In other countries, political intervention and strenuous government control inhibited public enterprises from fulfilling their intended missions. Although public enterprises in some countries are managed effectively and do provide services that are needed for development, too many merely become another bureaucracy plagued by inefficiency, ineffectiveness, corruption, and incompetence, draining resources from the public treasury. Recognising their ineffectiveness, governments have been restructuring or liquidating public enterprises since the early 1980s. Many state-owned enterprises have been commercialised, corporatised, or privatised. Some governments require them to compete with private providers, forge partnerships with private businesses and non-government organisations, or outsource functions to the private sector.

Although many enterprises remain in public ownership, their rationale, purposes, and effectiveness continue to be questioned. Governments seeking to meet the Sustainable Development Goals (SDGs) should be asking if there is a role for public enterprises in countries where the private sector has grown stronger, where market economies are established or emerging, and where development depends at least in part on providing services and infrastructure to larger numbers of people.

I will argue that in many developing countries, serious questions need to be asked about whether or not state-owned enterprises are the most effective instruments for economic and social development. SOEs are often perceived to be ineffective as instruments for development for a variety of reasons: because governments never infused them with strong developmental missions, because they used them for purposes that were not directly related to economic and social development, or because the inherent limitations of state ownership render public enterprises ineffective. I will also argue that governments should use as the primary justification for creating public enterprises, or for attempting to reform those that have a past history of poor performance, whether or not they

have a strong probability in the future of achieving development objectives that are not and cannot be achieved more effectively by the private sector or by non-government organisations.

Moreover I contend, as much of the literature on public enterprises now shows, that the organisation and structure of state-owned enterprises inherently create difficulties in providing developmentally-oriented services and facilities in many countries whether or not they have strong private business spread more widely the benefits and mitigate the potential negative impacts of international economic interaction, and how to alleviate poverty so that larger numbers of people can participate effectively in productive activities and gain access to social services essential for human development.

State enterprises much as the World Bank does: as government-owned or controlled commercial entities that generate all or most of their revenues from the sale of goods and services.

As does the World Bank, I exclude from discussion those government organisations that provide goods and services through general revenues. The distinction between those goods and services provided by what are essentially commercial enterprises owned or controlled by government and those provided by ministries and agencies through general revenues is important in focusing the discussion on the appropriateness and efficacy of one specific type of organisation -- a legally created commercial entity generally known as a public enterprise, state-owned enterprise, or parastatal organisation. The distinction also highlights the option that all governments have in seeking to achieve the Millennium Development Goals: whether to provide goods and services essential to people's social and economic well-being through conventional ministries and agencies, through state-owned enterprises, or through other types of organisations World or civil society sectors. Public enterprises face continuing risks of political interference, of cronyism and corruption in their governance and operation, and of an inability to generate adequate financial returns to either cover their costs or return a surplus to the government, all of which can divert them from fulfilling development objectives.

In an era of increasing globalisation, emerging markets, and expanding private sectors, governments seeking to achieve the Sustainable Development Goals must have a clear strategy for deciding which enterprises remain in public ownership and how they will contribute to achieving social and economic progress. The record of experience with public enterprise failures is now so strong that governments cannot merely assume that they will necessarily contribute to development. Although none of the alternatives to state ownership is a panacea for the problems of weak public enterprise management, under appropriate

conditions they can sometimes overcome the continuing difficulties that plague many SOEs. When governments decide to keep them in state ownership, serious consideration must be given to the need for reforming their internal structures, governance, and operations in ways that assure that they can pursue clear development objectives.

### **The Performance Problems of Public Enterprise as Instruments of Development**

Any assessment of public enterprises as instruments of economic and social development must begin with a frank recognition of the problems encountered in their performance over the past of half century. In both economically advanced and developing countries, governments created public enterprises as revenue-generating ventures, to support an import-substitution development strategy, or to provide services or infrastructure that were considered to be essential to national, regional, or local development. In reality, however, many governments created public enterprises for reasons that were only tangential to development or that ineffectively contributed to it.

After the Second World War, governments in Europe and North America used public enterprises to develop economically lagging regions, to provide specialised services that were beyond the expertise or resources of traditional government agencies, or to protect industries that were considered essential to future economic growth. But a significant expansion of public enterprises also took place both in Western Europe and in the former Soviet Union and its satellite countries for political or ideological reasons.

Many countries with socialist governments nationalised industrial and service enterprises and collectivised agriculture in order to centrally plan their economies and minimise or eliminate market influences.

In the post-colonial period of the 1950s and 1960s, governments in Africa, Asia, and Latin America sought rapid economic growth through industrialisation strategies that required heavy investment in physical infrastructure and production facilities. In many of the post-colonial developing countries the government expropriated foreign-owned companies and centralised control over natural resources, mining, mineral, and some manufacturing industries. And in their push to accelerate economic growth and consolidate political control, governments in many developing countries created new public enterprises rather than looking to the private sector for investment. The number of public enterprises also grew rapidly because the private sector was often viewed with suspicion by both political leaders and the public, especially in countries where colonial regimes previously ruled, or where major industries were owned by foreign companies, or where commercial

activities were dominated by foreign or ethnic minorities. By the late 1970s, however, the contribution of public enterprises to economic and social development came into question when military or authoritarian civilian governments in some Latin American countries nationalised nearly all major industries in order to consolidate their political power and control over the economy and sometimes to extract public resources for private gain.

Moreover, the developmental orientation of public enterprises became more ambiguous as many African governments, pursuing the concept of "African Socialism," took control of agricultural and agribusiness sectors as well as mining and natural resources industries that they lacked the expertise or financial capacity to manage effectively. Nationalisation of production and service enterprises increased the already growing number of public employees in many developing countries and the public wage bill grew rapidly.

Although not all of the growth in government employment took place in public enterprises, SOEs were often convenient organisations for locating surplus labor and providing a wide array of social benefits for workers.

Directorships and senior managerial positions in public enterprises were often viewed as political patronage positions for retired military and high-level civil servants or for relatives and friends of powerful political leaders. In Eastern Europe, the former Soviet Union, and many Asian countries, public enterprises hired large numbers of redundant employees to reduce social disaffection and to build political support. In Eastern Europe and in China, governments imposed strong social burdens on state industrial enterprises to hire redundant labor and provide social services while at the same time allowing them to operate with soft budget constraints, leading to inefficiency, low levels of productivity, and financial losses.

The developmental orientation of public enterprises was more seriously questioned with the growing economic and financial problems that accompanied worldwide recession in the late 1970s, the debt crises faced by many African and Latin American countries in its aftermath, the succession of politically conservative governments in North America and Europe during the 1980s, and the shift to market economies in Asia, Latin America, and Eastern Europe during the early 1990s, all of which focused attention on the failures of public enterprises to deliver services effectively, contribute financially to the national economy, or to promote social progress. These trends were reinforced in the 1980s and early 1990s by growing dissatisfaction with the way governments provided goods and services, especially to the poor; by political interference in the operation of public enterprises; by continuing charges of cronyism and corruption

in some state-owned corporations; by the imposition of surplus employment requirements; and by their inefficient operation.

By the end of the 1980s, widespread criticism of the performance of both national government ministries and public enterprises in providing goods and services and of the rising costs and ineffectiveness of government control of economic activities in general led political leaders in both Western and developing countries to reconsider their efficacy. Their inefficiencies were seen clearly in their limited abilities to satisfy the rapidly growing needs for commercial and social services that were becoming crucial for economic growth and for widespread participation in a globalising economy. The investment decisions of government agencies were constrained by special laws and by central government planning criteria and procedures; they rarely considered the needs of communities or the preferences of consumers. Almost everywhere, government-owned telephone and telecommunications companies, for example, were notoriously ineffective in meeting demand for services that had become crucial to the participation of both small and large enterprises' in global trade and investment and for creating jobs that would help alleviate poverty and raise people's standards of living.

During the 1980s and early 1990s, the average waiting period for telephone installation in Indonesia was nearly 8 years, in the Philippines 7 years, and in the former Soviet Union and in Pakistan 10 years. Call completion rates were extremely low in many developing countries because of the inability of public enterprises to invest in even basic telecommunications equipment and switching capacity. Completion rates for trunk calls were as low as 12 per cent in Pakistan and for local calls as low as 31 per cent in Indonesia. Many of the state-owned telecommunications companies in developing countries lacked investment capital and financial resources for maintenance and line expansion, and were seriously over-staffed. The World Bank reports that state-owned telephone companies in developing countries had 50 to 100 employees per 1,000 telephone lines in service compared to 0.2 employees or fewer in the United States and Europe.<sup>34</sup>

The ineffectiveness of public enterprises to deliver basic services extended to other sectors as well. In Nigeria, for example, state ownership and the monopoly position of the National Electric Power Authority, an organisation plagued by corruption, inefficiency, and mismanagement (conditions that characterised many of Nigeria's public enterprises) compounded rather than solved that country's continuing energy service delivery problems.

Doubts about their ability to contribute to development increased with growing evidence that many public enterprises were loss-makers rather

than revenue generators. Studies by the World Bank indicate that by the beginning of the 1980s, public enterprises in developing countries accounted for one-quarter to one-half of all outstanding domestic debt and for a substantial portion of foreign borrowing.<sup>36</sup> In Thailand, 61 public enterprises accounted for more than 60 per cent of the government's foreign debt in 1988. About 40 per cent of Malaysia's external debt service payments in the late 1980s were made by non-financial public enterprises. The heavy demands of many public enterprises for capital squeezed private investors out of capital markets in some countries, and in others limited the private sector's access to borrowing for investments that could generate jobs, income, and public revenues.

These limitations on the capacity of public enterprises to contribute to development continued into the 21st century. In Romania, for instance, the survival of loss-making public enterprises through direct and indirect state subsidies led in the late 1990s to pervasive networks of arrears throughout the economy and to negative impacts on the national budget and on overall economic efficiency. In Turkey, the government's manipulation of the prices of goods and services produced by public enterprises during periods prior to elections to reduce inflation and potential political backlash, placed both public and private service suppliers in unstable financial positions. The inability of public enterprises to contribute to development arose not only from their inefficiencies due to their monopoly or protected status but also because of lax governance and oversight. The checks-and-balances that come with private ownership -- that is, the pressures that shareholders and external directors can exert on managers to improve efficiency, that capital markets can exert on companies to allocate scarce resources economically and to operate within "hard budget" constraints, and that managers who are responsible to shareholders and outside directors can exert on workers to improve productivity -- are all usually missing from public enterprises.

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