

COURSE GUIDE

PAD 724 PUBLIC ENTERPRISE MANAGEMENT

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INTRODUCTION

Public Enterprises Management (PAD 724) is a second semester course work of 2-credit units taken by post graduate students of the National Open University of Nigeria (NOUN) in the Faculty of Management Sciences. The importance of public enterprises to a nation's economic growth and development cannot be overemphasized as it has been used by governments across the globe especially developing countries to advance welfarism and promote development. This course acquaints you with the basic philosophy behind public enterprises; their classifications; organisation, management and control; capital structure and funding; as well as the various reforms that public enterprises particularly in Nigeria have witnessed.

COURSE AIM

The aim of the course is to acquaint you with the fundamentals of public enterprises; their organisation, management and control; their capital structure and funding; their personnel; as well as the several reforms that have been carried out with the objective of making public enterprises more effective and efficient in their various endeavours.

LEARNING OUTCOMES

Upon successful completion of these modules, you will be able to:

- define and discuss the philosophy behind public enterprises
- trace the origin and growth of public enterprises
- identify the characteristics of public enterprises and state reasons for their establishment
- identify the various classifications of public enterprises
- explain the organisation, management and control of public enterprises
- state the capital structure and sources of funds for public enterprises
- evaluate performances of public enterprises in Nigeria and factors responsible for their under performance
- explain the various reforms that public enterprises have undergone.

COURSE GUIDE

This course acquaints you with public enterprise and its management, particularly as tool or mechanism for driving development and promoting welfarism. The course concerns itself with the basic philosophy behind the emergence of public enterprises; their classifications; organisation,

management and control; capital structure and funding; as well as the various reforms that public enterprises have witnessed particularly in Nigeria with the objective of making them more effective and efficient in their various endeavours. The course consists of 5 modules and 21 units. The contents of the modules dwell on fundamentals of public enterprises; organisation, management and control of public enterprises; capital structure and funding of public enterprises; context of civil service in public enterprises and public enterprises reforms.

SELF-ASSESSMENT-EXERCISES

Self-Assessment Exercises (SAEs) are incorporated in the study material for each unit. They help learners to be a realistic judge of their own performance and to improve their work. Also, they promote the skills of reflective practice and self-monitoring and academic integrity through self-reporting of learning progress. Similarly, they help in developing self-directed learning; increase motivation and help learners develop a range of personal and transferrable skills.

SUMMARY

Each Unit contained a summary of the entire unit. A summary is a brief statement or restatement of main points, especially as a conclusion to a work: a summary of a chapter. A brief is a detailed outline, by heads and subheads of a discourse (usually legal) to be completed: a brief for an argument.

Possible Answers to Self-Assessment Exercise(S) Within the Content

The materials contained Possible Answers to Self-Assessment Exercise(s) within the content. The possible self-assessments answers enable you to assess your level of assimilation or comprehension of the course contents. It is a way of analysing your work performance and any areas for improvement. Reflecting on your strengths, weaknesses, values and accomplishments can help you determine what goals to work toward next.

COURSE MATERIALS

The major components of this course are:

- i. Course Guide
- ii. Study Units
- iii. Further Readings
- iv. Activities and Tutor-Marked Assignments

Everything is contained in each unit except the textbooks, which you may have to acquire. You are expected to study the materials carefully and attempt the exercises. Practise the tutor- marked assignment questions as well. You are also expected to consult the textbooks under references/further readings for additional information. However, you may contact your tutor where you encounter any problem about recommended textbooks.

STUDY UNITS

Module 1 Fundamentals of Public Enterprises

- Unit 1 Definition/ Meaning and Objectives of Public Enterprises
- Unit 2 Origin of Public Enterprises
- Unit 3 Characteristics, Creation and Reasons for the Establishment of Public Enterprises
- Unit 4 Classifications of Public Enterprises

Module 2 Organisation, Management and Control of Public Enterprises

- Unit 1 Organisation and Management of Public Enterprises
- Unit 2 Control and Accountability in Public Enterprises
- Unit 3 Performances, Probes and Commission into Public Enterprises
- Unit 4 Factors Affecting Performance of Public Enterprises

Module 3 Capital Structure and Funding of Public Enterprises

- Unit 1 Financing Public Enterprises
- Unit 2 External Source of Financing
- Unit 3 Internal Source of Financing
- Unit 4 Budgeting Process of Public Enterprises

Module 4 Public Enterprises Reforms

- Unit 1 Meaning of Reform and Public Sector Reforms
- Unit 2 Public Enterprise Reforms: Privatisation
- Unit 3 Public Enterprise Reforms: Commercialisation
- Unit 4 Privatisation and Commercialisation in Nigeria

Module 5 Context of Civil Service in Public Enterprises

- Unit 1 Definition and Principles of Civil Service
- Unit 2 Features and Function of Civil Service
- Unit 3 Evolution of Civil Service
- Unit 4 Personnel Management in the Civil Service
- Unit 5 Reforms in the Civil Service

MAIN COURSE

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MODULE 1 FUNDAMENTALS OF PUBLIC ENTERPRISES

Unit 1	Definition/ Meaning and Objectives of Public Enterprises
Unit 2	Origin of Public Enterprises
Unit 3	Characteristics, Creation and Reasons for the Establishment of Public Enterprises
Unit 4	Classifications of Public Enterprises

UNIT 1 MEANING/DEFINITION OF PUBLIC ENTERPRISES

Unit Structure

- 1.1 Introduction
- 1.2 Learning Outcomes
- 1.3 Definition of Public Enterprises
- 1.4 Meaning of Public Enterprises
- 1.5 Objectives of Public Enterprises
- 1.6 Summary
- 1.7 References/Further Reading
- 1.8 Possible Answers to Self-Assessment Exercise(s)



1.1 Introduction

In this unit, you will be introduced to the concept of public enterprise. This is to enable you to know the definition and meaning of public enterprise as well as the philosophy behind public enterprises. The comprehension of any concept depends on the analysis of its features and this is the reason you are being introduced to them first.



1.2 Learning Outcomes

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

- define public enterprise
- explain what public enterprise means
- state objectives of public enterprise.



1.3 Definition of Public Enterprises

The multiplicity and diversity of the perspectives from which individual scholars and practitioners view public enterprise have naturally resulted in a plethora of definitions. However, certain key elements remain prominent in these definitions of public enterprises. Let's examine some of the popular definitions.

According to Obikeze and Anthony (2004), public enterprise refers to an organisation that is set up as a corporate body and as part of the governmental apparatus for entrepreneurial or entrepreneurial-like objectives. They emerge as a result of government acting in the capacity of an entrepreneur. Public enterprises otherwise known as public corporations are public institutions or government agencies, which are created, solely owned and managed by the state to run certain activities of a specialised nature, requiring business-like administration. They are established by Acts of Parliament, which define their powers, functions, structure and their relationship with other government institutions. (Eneanya, 2020)

A public enterprise is a publicly-owned enterprise that has been chartered under federal, state or local government law for a particular business or financial purpose (Dimock and Dimock, 1970:69). The United Nations (1971), defined a public enterprise as an incorporated or large unincorporated enterprise in which public authorities hold a majority of the shares and/or can exercise control over management decisions.

Public enterprise also refers to an economic organisation belonging wholly or partly to the government and which has a legal status, financial autonomy, and is under state control. It includes those "mixed enterprises" which are controlled by the state as well as those enterprises which are, on occasion, established for non-business purposes to escape the shackles of existing bureaucracy.

Public enterprises provide many services which include utilities such as telecommunications, electricity, gas supplies, water and sewage; transport such as airline, rail, shipping services and urban public transport; financial services notably banks and insurance, motor vehicles; companies such as tobacco and alcohol companies.

Examples of public enterprises in Nigeria include the Nigerian Railway Corporation (NRC), Central Bank of Nigeria, (CBN), Water Boards/Water corporations across the country, Nigerian Postal Service, Nigerian Defence Industries Corporation, National Universities

Commission, and several government-owned or controlled manufacturing enterprises (breweries, textiles, cement, steel, flour, vehicle assembly plants (PAN) fertiliser company, mining etc.)

1.4 Meaning of Public Enterprises

Going by the definitions presented above, public enterprises essentially have the features of several individuals who act as one. As such, the enterprise is viewed as an artificial person authorised by law to carry on particular activities and functions. It is described as a corporate body created by the legislature with defined powers and functions and independently having a clear-cut jurisdiction over a specified area or over a particular type of commercial activity (Ekhatior, 2002:167). As a corporate body, a public enterprise has a legal personality separate from that of the government that establishes it. It can own property, enter into contracts, and sue and be sued.

Public enterprise is part of government apparatus and three implications are hereby highlighted. Firstly, a public enterprise, by virtue of its intricate relationship with government, is an instrument of public policy and its primary mission is in connection with governmental objectives and programmes. It is therefore naturally under governmental control. Secondly, a public enterprise, by its nature, mostly manages public resources, especially public money and this means that attention must be paid to mechanisms for enforcing accountability. Thirdly, the combination of financial and economic objectives with social and political aims invariably makes it difficult to devise appropriate performance measurement instruments (Obikeze and Anthony, 2004: 248-249).

Self-Assessment Exercise 1

What do you understand by public enterprises?

1.5 Objectives of Public Enterprises

The major objectives of public enterprises could be summarised as follows:

- a) To promote rapid economic growth and industrialization of the country and create the necessary infrastructure for economic development. Public enterprises are established with the objective of fast-tracking economic growth and industrialisation. The setting up of public enterprises to engage in economic and productive activities boosts the gross domestic product (GDP) of a country and provides the infrastructure needed for economic development.

- b) To earn a return on investment and thus generate resources for development. Public enterprises are established in certain cases to make returns (profits or revenue) so as to give the government more resources needed to execute development projects and programs. However, making returns is not the major purpose of governments for setting up public enterprises.
- c) To promote redistribution of income and wealth. This objective of public enterprises means that collective resources of the people (commonwealth) are used to provide welfare services to certain disadvantaged segments of the population such as the aged, unemployed, handicapped, poor, etc.
- d) To create employment opportunities. One of the main objectives of setting up public enterprises is to provide jobs for the citizenry. Public enterprises provide an opportunity for people to get enlisted into public service.
- e) To promote balanced regional development. Public enterprises are established with the objective of promoting balanced regional development since public enterprises are spread across all regions of the country. The establishment of public institutions and organisations in different regions and geo-political zones of the country is to achieve this objective.
- f) To assist the development of small scale and ancillary industries. Small scale and ancillary industries depend on certain services provided by public enterprises to survive and grow. The services of Power Holding Company of Nigeria (PHCN), Nigeria Port Authority (NPA), Bank of Industry (BOI), etc. aid the growth of small scale and ancillary industries.
- g) To promote import substitution, and to save and earn foreign exchange for the economy. One main objective of government setting up public enterprises is to encourage the production of certain goods and services in order to discourage their importation; thus substituting for imports.

Self-Assessment Exercise 2

State five objectives of public enterprises.



1.6 Summary

A public enterprise otherwise referred to as a public corporation is a publicly-owned enterprise that has been chartered under federal, state or local government law to undertake certain business or economic activities. Public enterprises are either wholly or partly owned and controlled by the government. Objectives of public enterprises include

promoting rapid economic growth and industrialisation of the country and creating the necessary infrastructure for economic development; earning a return on investment and thus generating resources for development; promoting redistribution of income and wealth; creating employment; promoting balanced regional development; assisting the development of small scale and ancillary industries; and promoting import substitution, and to save and earn foreign exchange for the economy



1.7 References/Further Reading

Ekhaton, V.E. (2002). *Rudiments of public administration*. Kaduna: Joyce Graphic Printers and Publishers Co.

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World Development Report (1971). *Report of public enterprises*. New York: Oxford University Press.



1.8 Possible Answers to Self-Assessment Exercise(s) within the content

Possible Answers to Self-Assessment Exercise 1

What do you understand by public enterprises?

Public enterprise refers to an organisation that is set up as a corporate body and as part of the governmental apparatus for entrepreneurial or entrepreneurial-like objectives. They emerge as a result of government acting in the capacity of an entrepreneur. Public enterprises otherwise known as public corporations are public institutions or government agencies, which are created, solely owned and managed by the state to run certain activities of a specialized nature, requiring business-like administration.

Public enterprises provide many services including utilities such as telecommunications, electricity, gas supplies, water and sewage; transport such as airline, rail, shipping services and urban public transport; financial services notably banks and insurance, motor vehicles; companies such as tobacco and alcohol companies. Examples of public enterprises in Nigeria include the Nigerian Railway Corporation (NRC), Central Bank of

Nigeria, (CBN), Water Boards/Water corporations across the country, Nigerian Postal Service, Nigerian Defence Industries Corporation, etc.

Possible Answers to Self-Assessment Exercise 2

State five objectives of public enterprises.

- i. Promote rapid economic growth and industrialization of the country and create the necessary infrastructure for economic development. Public enterprises are established with the objective of fast-tracking economic growth and industrialisation.
- ii. Earn return on investment and thus provide resources needed to drive development. Public enterprises are established in certain cases to make returns (profits or revenue) so as to give the government more resources needed to execute development projects and programs.
- iii. Promote redistribution of income and wealth. This means that collective resources of the people (commonwealth) are used to provide welfare services to certain disadvantaged segments of the population such as the aged, unemployed, handicapped, poor, etc.
- iv. Create employment opportunities. Public enterprises are established to provide jobs for the citizenry. Public enterprises provide an opportunity for people to get enlisted into public service.
- v. Promote balanced regional development. Public enterprises are established with the objective of promoting balanced regional development since public enterprises are spread across all regions of the country. The establishment of public institutions and organisations in different regions and geo-political zones of the country is to achieve this objective.

UNIT 2 ORIGIN OF PUBLIC ENTERPRISES

Unit Structure

- 2.1 Introduction
- 2.2 Learning Outcomes
- 2.3 Origin of Public Enterprises
- 2.4 Origin of Public Enterprises in Nigeria
- 2.5 Summary
- 2.6 References/Further Reading
- 2.7 Possible Answers to Self-Assessment Exercise(s)



2.1 Introduction

Having known what public enterprise means and what it stands to achieve, this unit will therefore take you through events, occurrences and factors that led to the emergence of public enterprises across the globe as well as in Nigeria. Emphasis will be laid on the origin, growth and development of public enterprises in Nigeria. Public enterprise origin and development in Nigeria will be discussed in four major phases.



2.2 Learning Outcomes

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

- narrate events and occurrences that birth public enterprises across the globe
- narrate events that gave birth to public enterprises in Nigeria
- highlight key factors that contributed to the growth and development of public enterprises in Nigeria.



2.3 Origin of Public Enterprises

The origin of public enterprises could be traced to the early 20th century when government intervened in economic management through departmental organisations which did not involve creating autonomous public bodies. In the alternative, it granted license to a private enterprise for the management of natural or national monopolies and where public bodies were involved in managing economic ventures, such bodies did not enjoy financial autonomy. Public enterprises made a very strong appearance after World War I for a variety of reasons, including managing

the consequences of the war, especially the economic crisis of the 1930s. However, the public enterprise sector developed rapidly because of the spread of Keynesian Interventionist. Between the two World Wars, political and ideological considerations prompted the establishment of parastatals in the former colonial metropolis.

The movement toward the establishment of public enterprises received a new impetus after World War II for reasons related to both ideological considerations and economic efficiency. Economic nationalism and the success of the Soviet Revolution paved the way for nationalisation and strong state intervention in national economic management. When the former European colonies in Africa became independent in the late 1950s and the 1960s, there were only a few public enterprises in different countries. To attain some measure of economic independence and fast-track national development, the public enterprise sector then developed at a tremendous pace in the immediate years after independence through the 1980s and a huge public enterprise sector was firmly established in most countries.

The weakness of the private sector, the lack of infrastructure, the low level of social and human development, and the unfavourable social, economic and financial environment are some of the reasons given to explain the proliferation of public enterprises in all areas of economic and social development. Other reasons include the urge to generate revenue to limit foreign economic domination and to provide a substitute for a private initiative where it was not forthcoming.

Self-Assessment Exercise 1

State four main factors responsible for the emergence of public enterprises across the world.

2.4 Origin of Public Enterprises in Nigeria

Public enterprises in Nigeria own their early origins to Britain, her colonial mentor. This is because early public sector organisations were established by Britain to facilitate their exploitation of the country's resources and potential. The origin, growth and development of public enterprises in Nigeria can be categorised into four phases as submitted by Ozor (2004). They are:

- i. The colonial (foundation) period (1900 – 1960)
- ii. Independence (consolidation) period (1960 – 1970)
- iii. Oil boom (expansion) period (1970 – 1980)
- iv. Economic recession (privatization and commercialization) period (1980 - Date)

Phase I: The Colonial (Foundation) Period (1900 – 1960)

This phase witnessed the first set of public enterprises owned by the government. However, the establishment of the public enterprises by the colonial master was not borne out of the need to promote socio-economic development but out of sheer exploitative interests of the colonial master.

Britain was compelled to embark on the provision of some infrastructure without which the colonial exploitative policies of her overseas territories would not have been accomplished. Thus, the British colonial Nigerian government began to construct some semblance of infrastructure such as railways, ports, roads, airways, financial institutions (e.g commercial banks) and utilities such as electricity, water works, etc. According to Ozor (2004), it was under this condition that the nucleus of the Nigerian public enterprises emerged. Corroborating this view, Ake (1981) submitted that the colonisers could not exploit the colony's wealth at no cost at all. In some cases, the extraction of the colony's resources necessitated some investments in infrastructural development such as roads, water resources, railways, electricity, administrative structures, etc.

In order to evacuate the raw materials, especially ones from the producing centres to the coast for onward shipment to Europe, the railway system was established by the colonial government and Nigeria Railway Corporation (NRC) was established in 1955 to manage the railway system. In the same token, ports were established and controlled by the Nigerian Ports Authority (NPA) in 1954 to manage water transportation. Air transportation was also established with the name Nigeria Airways Corporation in 1957. Post and telegraph were also established during this period. In the old industry, the Nigerian National Petroleum Corporation was established to oversee the activities of players in the sector.

In a nutshell, many enterprises including banks, companies and corporations were established and managed by the colonial government through the Royal Niger Company.

Phase II: Independence (Consolidation) Period (1960 – 1970)

At independence, the enterprises were inherited by the Nigerian national government. The Nigerian government soon realised that political independence was not matched by economic independence and that the Nigerian economy lacked a home base. Public enterprises established during the colonial period were few, weak and could not satisfy all thirsty aspirations generated by the hopes and expectations of political independence. This situation was aggravated by the fact that there were no strong local capitalists and native entrepreneurs to fill the yearning gap to carry on the economic development of the country. As a result of this lack of private indigenous funds, personnel etc. required for such economic development, the government had to embark on the

establishment of public enterprises since it was the only body capable of generating enough of the required capital and personnel. Consequently, the Nigerian government (both the federal and the then regional governments) established public enterprises which championed economic development and social upliftment in the country. It was during this time that such enterprises as the Central Water Transportation Company, Nigerian National Oil Company (NNOC), Nigerian Steel Development Authority, Nigerian External Telecommunication (NET), (state) Rural Electrification Boards, etc. were floated.

Phase III: Oil Boom (Expansion) Period (1970 – 1980)

The failure of the first national development plan with regard to the development of a vibrant economy dominated by the private sector, which was caused by the weakness of the indigenous entrepreneurs and machinations of foreign powers, made the Nigerian government change its policy from that of seeing private sector as the main engine of development to that of the government itself becoming the major purveyor of economic and social development through the use of public enterprises. This, therefore, marked the beginning of another phase in the growth and development of public enterprises in Nigeria. Public enterprises during this phase assumed a stimulator and accelerator of national development in the face of capital scarcity and structural defects in private business organisations. Presumably, public enterprises were to become the main engine of growth rather being one of the instruments of promoting the development of an economy in which the private sector would be dominating. The economy was very buoyant during the period under discussion and consequently made it possible for the government to expand, create and finance the ever-increasing number of public enterprises. Indeed, because of the abundance of resources made possible by the revenues from crude oil earnings, the inherited public enterprises were expanded and new ones were created during this period. The ports were improved as further dredging was carried out, the rail system improve by the purchase of steam locomotives which makes it faster and more comfortable and air transportation expanded with the acquisition of more aircraft by the Nigeria Airways corporation.

Phase IV: Economic Recession (Privatisation and Commercialisation) Period (1980 - Date)

During this phase, the tempo with which public enterprises were expanded and consolidated had waned. This was as a result of the gap between revenue and costs of these enterprises continued to widen and, in many cases, losses started to appear. Government blamed the poor performance of the public enterprises on managerial inefficiency but on the other hand, the chief executives of these enterprises tried to explain it in terms of intrusive government policies and obstructive controls which

of course, were easily discernable. There was also massive corruption visible everywhere both within the government and public enterprises.

The decline in oil revenues which occurred during this period brought the lapses and the financial burden of the public enterprises on the government to the limelight, hence the questioning for the first time, of the very rationale of public enterprises as an engine of growth. In relation to the state of the Nigerian economy, which made inefficiency of the public enterprises open and therefore vulnerable to attacks and mutations for their eventual privatisation. According to Usman (1987), this was triggered by the collapse of the world market price as well as the decline in the volume of crude oil exports. Nigeria depends almost completely on the export of crude oil for foreign exchange earnings.

The continued deterioration of government fiscal fortunes made government reverse its policy of using public enterprises as an engine of growth and development. This was partly because of the poor performance and partly because of the generally poor state of the Nigerian economy. It was this situation that made ex-president Ibrahim Babangida introduced the Structural Adjustment Programme (SAP) in Nigeria, in which privatisation was one of its major cornerstone components. It was in this way that public enterprises in Nigeria grew and developed until the present stage when the trend reversed to privatisation and commercialisation. The enabling legislation- the Privatisation and Commercialisation Decree was promulgated in 1988, and during the first phase (1988-1993), a total of 73 public enterprises in Nigeria were privatised/commercialised (Ozor, 2004). Since then, a significant number of Nigeria's public enterprises have either been privatised or commercialised.

Self-Assessment Exercise 2

State four major obstacles to public enterprises in Nigeria.



2.6 Summary

In this unit, the origin of public enterprises across the world was traced majorly to the need to adequately manage the consequences of World War 1, the economic recession of the 1930s, the spread of the Keynesian interventionist economic model, and political as well as ideological considerations. In Nigeria, the origin, growth and development of public enterprises were discussed in four major phases which were characterised by the Nigerian government's quest to wrestle the economy from domination by foreign entrepreneurs, the need for government to control

certain strategic sectors of the economy, provision of utilities and particularly the oil boom of the 1970s which provided enough funds for the expansion of the public enterprise sector. The weakness of the private sector, the lack of infrastructure, the low level of social and human development, and the unfavourable social, economic and financial environment are some of the reasons given to explain the proliferation of public enterprises in all areas of economic and social development. Other reasons include the urge to generate revenue to limit foreign economic domination and to provide a substitute for a private initiative where it was not forthcoming.



2.7 References/Further Reading

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2.8 Possible Answers to Self-Assessment Exercise(s)

Answer to Self-Assessment Exercise 1

State four (4) main factors responsible for the emergence of public enterprises across the world.

- i. Managing the consequences of the World War
- ii. Spread of Keynesian interventionist model
- iii. The need to fast-track development, especially in newly independent countries
- iv. The weakness of the private sector
- v. the lack of infrastructure

Answer to Self-Assessment Exercise 2

State four (4) major obstacles to public enterprises in Nigeria.

- i. Managerial inefficiency
- ii. Excessive government interference and control
- iii. Massive corruption
- iv. The decline in oil revenue

UNIT 3 CHARACTERISTICS, CREATION AND REASONS FOR THE ESTABLISHMENT OF PUBLIC ENTERPRISES

Unit Structure

- 3.1 Introduction
- 3.2 Learning Outcomes
- 3.3 Characteristics of Public Enterprises
- 3.4 Creation of Public Enterprises
- 3.5 Reasons for the Establishment of Public Enterprises
- 3.6 Summary
- 3.7 References/Further Reading
- 3.8 Possible Answers to Self-Assessment Exercise(s)



3.1 Introduction

Having discussed the origin of public enterprises in the last unit, this unit introduces you to the general characteristics of public enterprises and the reasons for their establishment. This is to enable you fully comprehend the concept of public enterprise and the basic philosophy behind the establishment of public enterprises.



3.2 Learning Outcomes

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

- state the different characteristics of public enterprises
- discuss how public enterprises are created
- give reasons for the establishment of public enterprises.



3.3 Characteristics of Public Enterprises

Public enterprises share certain characteristics in common, they are as follows:

- i. **Creation of an Act of parliament:** 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. **A legal person:** 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. **Government ownership and management:** Public enterprises are owned and managed by the central or state government, or by the local authority. The government may either wholly own the public enterprises or the ownership may partly be with the government and partly with the private industrialists and the public. In any case, the control, management and ownership remain primarily with the government.
- iv. **Considerable financial freedom:** 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. **Public welfare:** Public enterprises are not guided by profit motive. Their major focus is on providing services or commodities at reasonable prices which can be afforded by the generality of the citizenry. Public health and educational institutions in Nigeria provide services at a highly subsidised rate so that they can be afforded by the masses.
- vi. **Public utility services:** Public sector enterprises concentrate on providing public utility services like transport, electricity, telecommunication, health, etc.
- vii. **Public accountability:** Public enterprises are governed by public policies formulated by the government and are accountable to the legislature.
- viii. **Excessive formalities:** The government rules and regulations force the public enterprises to observe excessive formalities in their operations. This makes the task of management very sensitive and cumbersome.
- ix. 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.

Self-Assessment Exercise 1

State five major characteristics peculiar to public enterprises in Nigeria.

3.4 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.

i. 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 economic activity in a society that recognizes private initiative must be backed by law.

ii. Taking over Private Business

The process of taking over private enterprises or transferring the ownership of private enterprises to the government is called nationalisation. Enabling law is needed to affect such a transfer, 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.

iii. 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).

Self-Assessment Exercise 2

State the various ways by which public enterprises can be created.

3.5 Reasons for the establishment of Public Enterprises

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

- i. 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.

- ii. The need to secure economic independence. This is done to stave off the domination of the economy by foreign entrepreneurs.
- iii. The urgent desire to assure government control over 'strategic' sectors of the economy (e.g. central banking, broadcasting, iron and steel, roads, shipping, etc.).
- iv. The need to separate some activities from the civil service and allow more autonomy in their running.
- v. The perceived need to provide employment for the citizens in a context where the private sector offers very limited employment opportunities.
- vi. The need to ensure state control of key profitable enterprises with a view to generating revenues that will add to the available national capital for financing development programmes and projects.
- vii. 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 a few individuals or of a group (i.e. promoting equitable distribution of wealth). (Obikeze & Anthony, 2004: 253).

Self-Assessment Exercise 3

State five reasons for the establishment of public enterprises.



3.6 Summary

Public enterprises across the globe are easily identifiable by certain characteristics which they share in common and they basically include the creation of an act of parliament, a legal entity, government ownership and control, public welfare, public accountability, etc. Also, public enterprises are established for certain reasons which include use for effective plan implementation, to secure economic independence, government control over strategic sectors of the economy, employment generation and promoting equitable distribution of wealth. This gives you further depth on the concept of public enterprise.



3.7 References/Further Reading

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3.8 Possible Answers to Self-Assessment Exercise(s)

Answer to SAE 1

State five major characteristics peculiar to public enterprises in Nigeria.

- i. Creation of an Act of parliament: a public enterprise comes into existence as a result of an Act passed by the legislature or a decree under military rule.
- ii. A legal person: 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. Government ownership and management: public enterprises are owned and managed by the central or state government, or by the local authority, which the government may either wholly or partly own.
- iv. Considerable financial freedom: except for appropriations to produce capital or to cover losses, a public enterprise is usually independently financed.
- v. Public welfare: public enterprises are not guided by profit motive. Their major focus is on providing services or commodities at reasonable prices which can be afforded by the generality of the citizenry.
- vi. Public utility services: Public sector enterprises concentrate on providing public utility services like transport, electricity, telecommunication, health, etc.

Answer to SAE 2

State the various ways by which public enterprises can be created.

- i. Creating a Public Enterprise from Scratch: Here, the legislature passes a bill either submit to it by the executive or prepared by

itself making provisions for the establishment of a public enterprise to engage in a certain business ventures.

- ii. Taking over Private Business: This is the taking over of private enterprises or transferring the ownership of private enterprises to the government.

Answer to SAE 3

State five reasons for the establishment of public enterprises.

- i. 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.
- ii. The need to secure economic independence. This is done to stave off the domination of the economy by foreign entrepreneurs.
- iii. The urgent desire to assure government control over 'strategic' sectors of the economy (e.g. central banking, broadcasting, iron and steel, roads, shipping, etc.).
- iv. The need to separate some activities from the civil service and allow more autonomy in their running.
- v. The perceived need to provide employment for the citizens in a context where the private sector offers very limited employment opportunities.
- vi. 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.

UNIT 4 CLASSIFICATIONS OF PUBLIC ENTERPRISES

Unit Structure

- 4.1 Introduction
- 4.2 Learning Outcomes
- 4.3 Classification of Public Enterprises by economic activities
- 4.4 Classification of Public Enterprises by legal consideration
- 4.5 Classification of Public Enterprises by responsibilities or roles
- 4.6 Summary
- 4.7 References/Further Reading
- 4.8 Possible Answers to Self-Assessment Exercise(s)



4.1 Introduction

Public enterprises can take many forms, and various modes can as well be used to administer publicly-owned or publicly-controlled organisations. As such, there exist a bewildering numbers and varieties of public enterprises which have made necessary classifications in order to structure the discussion of the variety of organizations in the public sector. Having been acquainted with the characteristics of public enterprises as well as the reasons behind their establishment in the previous unit, this unit will advance the discussion by getting you familiar with the variety of classifications of public enterprises and basis for the classifications.



4.2 Learning Outcomes

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

- classify public enterprises by economic activities
- classify public enterprises by legal consideration
- list public enterprises by responsibilities.



4.3 Classification of Public Enterprises

There is no single, best way of categorizing public enterprises, and no classification is fully satisfactory in all circumstances. In general, several categories of public enterprises can be identified on the basis of their origins, ownership, activities or domains of intervention, and funding mechanisms. More prominently, public enterprises have been classified

on the basis of their economic activities, legal status and responsibilities. The latter would form the basis for our classification in this unit.

4.4 Classification of Public Enterprises by Economic Activities

According to Burk head (1956), public enterprises might be classified according to the economic activities they conduct. Accordingly, there are two types of public enterprise.

- i. Enterprises engaging in financial transactions, e.g. Central Bank of Nigeria (CBN), Nigerian Industrial Development Bank (NIDB), National Insurance Corporation of Nigeria (NICON), etc.
- ii. Enterprises engaging in the production of goods and rendering of services. E.g. Transport, water, electricity, education, health, etc.

As you can see above, this classification of public enterprises is basically centred on the nature or type of economic activities that a public enterprise has been mandated by the law to engage in.

Self-Assessment Exercise 1

Give two examples for each of the public enterprises in Nigeria that fall into the classification above outside the ones given.

4.5 Classification of Public Enterprises by Legal Consideration

According to Laleye cited Adamolekun (2005), a public enterprise takes one of three legal forms: a public or statutory corporation, a state-owned company, or a mixed-economy enterprise in which the state is the major shareholder (51 per cent or more). Hence public enterprises can be classified as shown below:

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

ii. State-Owned Companies

These are companies created by the 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.

iii. Mixed-Economy Enterprises

These are enterprises where the government is the majority shareholder (51 per cent or more) in a partnership with private entrepreneurs. In such companies, the government usually dominates the board since it is the major shareholder. One example of such enterprises is Peugeot Automobile Nigeria Ltd. (PAN), the rebranded Nigeria National Petroleum Company (NNPC) Ltd, and Power Holding Company of Nigeria (PHCN) (Adamolekun, 2005).

Self-Assessment Exercise 2

Mention any three types of public enterprises.

4.6 Classification of Public Enterprises by Responsibilities or Roles

Oshisami and Dean (1984) categorised public enterprises into four types based on the roles and responsibilities they are mandated to perform:

- i. Public utilities: such as the Nigerian Railway Corporation (NRC), Nigeria Airways (defunct), Power Holding Company of Nigeria (PHCN), Nigerian Ports Authority (NPA), Water Corporations, Post and Telecommunications Dept. (P&T) defunct, water corporation. Nigeria Television Authority (NTA), Federal Radio Corporation of Nigeria (FRCN), Federal Housing Authority (FHA), etc.
- ii. Financial institution: Central bank of Nigeria, Nigerian industrial development bank, federal mortgage bank of Nigeria, bank of agriculture, bank of industry.
- iii. Commercial and industrial companies: Nigerian steel development authority, NNPC, PPMC, Nigerian national shipping line, Nigerian national supply company.

- iv. Regulatory or service board: Electoral Commission INEC, Public Service Commission, Nigerian Enterprise Promotion Board. Marketing Boards, Advertising Practitioners Council of Nigeria.

Self-Assessment Exercise 3

Give one example each for the four classifications of public enterprises based on responsibilities.



4.7 Summary

Public enterprises can take many forms, and various modes can as well be used to administer publicly-owned or publicly-controlled organisations. As such, several classifications exist for differentiating public enterprises. These classifications are based on the nature of economic activities, legal considerations and responsibilities bestowed on public enterprises. The most popular classification categorised public enterprises into three. That is public/statutory corporations, state-owned companies and mixed-economy enterprises.



4.8 References/Further Reading

- Adamolekun, L. (2002). *Public administration in Africa: A Nigeria and comparative perspective* (Ed.). London: Longman Publishers
- Adamolekun, L. (2005). *Public administration in Africa: Main issues and selected country studies* (Ed.). Ibadan: Spectrum Books Limited.
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- Obikeze, O. S. & Anthony, O. E. (2004), *Public Administration in Nigeria: A developmental approach*. Onitsha: Book Point Ltd.
- Ozor, E. (2004). *Public enterprises in Nigeria; A study in public policy-making in a changing political economy*. Ibadan: University Press Plc.



1.9 Possible Answers to Self-Assessment Exercise(s)

Answer to SAE 1

Give two examples for each of the public enterprises in Nigeria that fall into the classification above outside the ones given.

- i. Public enterprises in Nigeria engaging in financial transactions include the Central Bank of Nigeria (CBN), Nigerian Industrial Development Bank (NIDB), Agricultural Development Bank (ADB), and National Insurance Corporation of Nigeria (NICON).
- ii. Public enterprises in Nigeria engaging in the production of goods and rendering services include the Nigeria Railway Corporation (NRC); various state water boards and corporations across the country e.g. Kaduna State Water Board, Power Holding Company of Nigeria (PHCN), etc.

Answer to SAE 2

Mention any three types of public enterprises.

- i. **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. Examples are the Central Bank of Nigeria (CBN), Nigerian Television Authority (NTA), and Federal Radio Corporation of Nigeria (FRCN) among others.
- ii. **State-Owned Companies:** These are companies created by the government under the provisions of ordinary company law, though they belong entirely to the government. Example of such companies includes New Nigeria Newspaper Ltd, New Nigeria Development Company Ltd., and Odua Investment Company Ltd.
- iii. **Mixed-Economy Enterprises:** These are enterprises where the government is the majority shareholder (51 per cent or more) in a partnership with private entrepreneurs. Examples are the rebranded Nigeria National Petroleum Company (NNPC) Ltd and the Power Holding Company of Nigeria (PHCN).

Answer to SAE 3

Give one example each for the four classifications of public enterprises based on responsibilities.

- i. Public utilities: Nigerian Railway Corporation (NRC), Power Holding Company of Nigeria (PHCN), Nigerian Ports Authority (NPA), Water Corporations, Nigerian Postal Service (NIPOST), Nigeria Television Authority (NTA), Federal Radio Corporation of Nigeria (FRCN), etc.
- ii. Financial institutions: Central bank of Nigeria (CBN), Nigerian Industrial Development Bank (NIDB), Federal Mortgage Bank of Nigeria (FBN), Bank of Agriculture (BOA), Bank of Industry (BOI).
- iii. Commercial and industrial companies: Nigerian steel development authority, Warri, NNPC, PPMC, Nigerian national shipping line, Nigerian national supply company.
- iv. Regulatory or service board: Electoral Commission INEC, Public Service Commission, Nigerian Enterprise Promotion Board. Marketing Boards, Advertising Practitioners Council of Nigeria.

MODULE 2 ORGANISATION, MANAGEMENT AND CONTROL OF PUBLIC ENTERPRISES

Unit 1	Organisation and Management of Public Enterprises
Unit 2	Control of Public Enterprises
Unit 3	Performance, Probes of Public Commissions of Inquiry into Public Enterprises
Unit 4	Factors Affecting Performance of Public Enterprises

UNIT 1 ORGANISATION AND MANAGEMENT OF PUBLIC ENTERPRISES

Unit Structure

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



1.1 Introduction

Organisational structure illustrates the span of control of each managerial position and most important of all, it enables the ultimate principles of organisation to be observed. Thus, organisational structure of any undertaking has great relevance to its efficiency because it deals with essential elements in organisation. This unit basically acquaints you with organisational structure, management and control measures of public enterprises.



1.2 Learning Outcomes

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

- describe the organisational structure of public enterprises
- discuss the management of public enterprises.



1.3 Organisational Structure of Public Enterprises

Organisational structure basically illustrates the various division of tasks into positions of responsibility in the organisation which is most often determined by specialisation and competencies. Job positions and responsibilities in public enterprises are structured into Board of Directors, General Manager, Secretary to the Board and various Heads of Departments and Units.

i. The Board of Directors

At the apex of the organisational structure of public enterprises is the board of directors. The powers and duties of the directors are usually stated in the document incorporating the enterprise known as the Article of Incorporation. However, on the whole, the board of directors is usually the policy-making body, not the executive one.

The board of a public enterprise plays a key role in its management. Government from within and outside the government circles appoints the board of directors of a public enterprise. Its primary responsibilities include:

- a. Formulation of policies and priorities within the framework of broad government policies and priorities (Adamolekun, 2004);
- b. Approval of public enterprises' budget, monitoring of its performance and protection of its management from encroachments of sectional interests (Adamolekun, 2004). The performance of a public enterprise is, therefore, largely, dependent on the quality of its board.

Adamolekun (2004), identified two types of boards of public enterprises: the policy board and the executive board. The policy board is composed mostly of persons from outside the organisation with the chief executive as the only internal board member. The policy board is more widespread than the executive board. Most public enterprises in Nigeria have policy boards. The executive board is composed mostly of persons who are heads of major units of the organisation, with the chief executive as the chairman. There are normally few outside members appointed to represent outside interests on the board. The Nigerian Railway Corporation is an example of a public enterprise that has an executive board. The main advantage of the executive board is that the body responsible for policy is not separated from management. Again, the appointment of a few outsiders to the board, apart from ensuring

that perspectives from outside the enterprise are considered, also constitutes a form of control.

It is important to state that the size and composition of the boards vary from one country to another as well as from one public enterprise to another. The size usually ranges from a minimum of five to a maximum of about twenty-five members. In general, the size of an enterprise's board depends on its scope and strategic importance within the economy. Worthy of note is the lack of consensus on who should be appointed to the board. The tenure of the board membership varies from one country to another, ranging from two to six years, and could be renewed (Adamolekun, 2004).

ii. The General Manager/Managing Director/Director General or equivalent

The General Manager is the chief executive of public enterprises and therefore saddled with the responsibility of overseeing operations of the enterprises. He supervises the actual operational functions of public enterprises. He usually possesses professional knowledge of one or more areas of the corporation's operations. The General Manager plays a vital role in the success or failure of public enterprises. As Olisa et. al. (1990) state, "he is the person who comes into direct contact with all the corporation's staff, and he can take a wide range of decisions on his own initiative, in order to ensure that the corporation is functioning smoothly and effectively". Several Heads of Departments who are in charge of various departments, divisions and sections of the public enterprises usually assist the General Manager.

iii. The Secretary of the Board

The Secretary of the board records the board's transactions and decisions. In many public enterprises, the Secretary is a lawyer, who gives legal advice to the organisation whenever necessary. The Secretary, therefore, helps "to clear any doubts or misinterpretations about the boundaries of authority, and function between all categories of officials of the corporation" (Olisa, et. al. (1990:86). In the University, the Registrar serves as the Secretary to the Governing Council, Senate, Congregation, Convocation and other statutory Committees.

iv. Below the General Manager in terms of the hierarchy are Managers or Heads of departments, sections and units. The managers and heads are representatives of the chief executive (General Manager) in their various official capacities in the organisation and therefore directly report to him. They take directives from the General Manager and execute them judiciously in their various departments, sections and units.

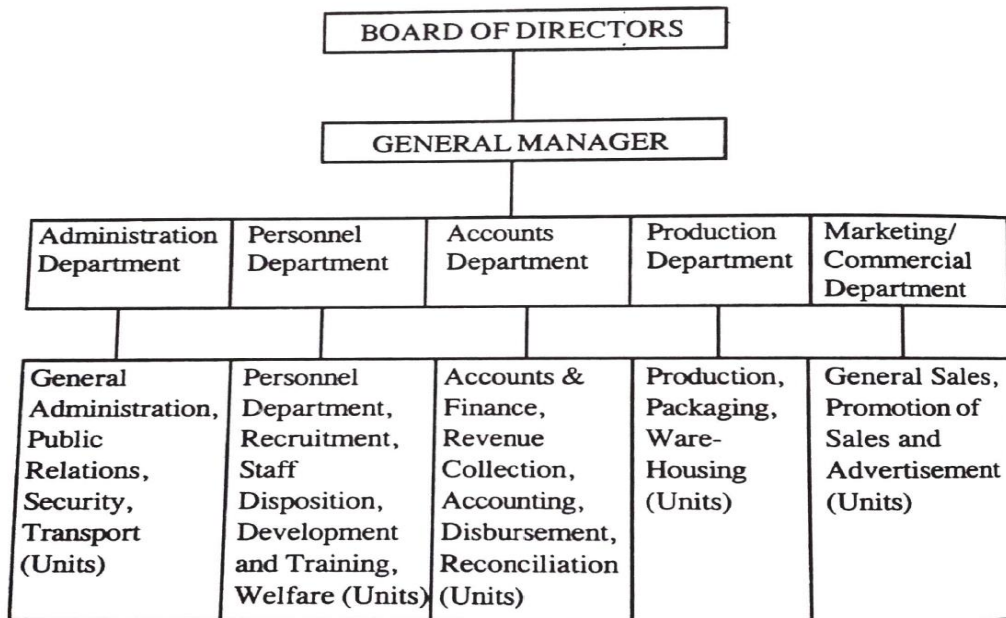


Fig. 1: Organogram of a Typical Public Enterprise in Nigeria
(Source: Ozor, 2004)

Self-Assessment Exercise 1

State two major responsibilities of the Board of Directors and the Secretary to the Board.

1.4 Management of Public Enterprises

The management of public corporations is done through the management boards and the policy board. Each of them is briefly explained below:

a) The Executive Board

In the Executive Board, the 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. The executive board is basically saddled with the implementation of policies and day-to-day operations of the organisation. For example, the Nigerian Railway Authority is an example of a public utility that has an executive board.

b) The Policy Board

The 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 is carried out by the managing director. This method is applied to most public corporations in Nigeria. (Ujo: 1994: 82).

Note: For efficient management and effective administration, the enterprises are divided into major departments with the General Manager as the Chief Executive. The departments in most of them are as follows: Administration, Accounts, Personnel, production, and Commercial Departments, among others. The heads of these various departments are known as managers. For instance, the head of the Production department is known as the Production Manager.

Self-Assessment Exercise 2

Identify the two management methods of Public Corporations.



1.5 Summary

The organisation of public enterprises has to do with the structural designs and division of labour and positions of responsibilities in the organisation while management involves the appropriate coordination in the execution of these tasks and responsibilities to achieve set goals. Thus, the organisational structure of any undertaking has great relevance to its efficiency because it deals with essential elements of organisation. Management hierarchy in public enterprises starts with the Board of Directors at the top, the General Manager, Managers and Heads of Departments, Sections and Units with each of them assigned certain responsibilities and tasks.



1.6 References/Further Reading

- Adamolekun, L. (2002). *Public administration in Africa: A Nigeria and comparative perspective* (Ed.). London: Longman Publishers
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1.7 Possible Answers to Self-Assessment Exercise(s)

Answer to SAE 1

State two major responsibilities of the Board of Directors and the Secretary to the Board.

Two main functions of the Board of Directors include:

- a. Formulation of policies and priorities within the framework of broad government policies and priorities.
- b. Approval of public enterprises budget, monitoring of its performance and protection of its management from encroachments of sectional interests.

Secretary to the Board

- i. The Secretary of the board records the board's transactions and decisions.
- ii. The Secretary is a lawyer, who gives legal advice to the organisation whenever necessary.
- iii. The Secretary prepares documents and receives correspondents on the boards' behalf.

Answer to SAE 2

Identify the two management methods of Public Corporations.

The management of public corporations is done through the executive board and the policy board.

- a) **The Executive Board:** The majority of members of the board are staff of the same organisation. They are usually the heads of the various departments of the organisation. The executive board is basically saddled with the implementation of policies and day-to-day operations of the organisation.
- b) **The Policy Board:** The 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 is carried out by the managing director.

UNIT 2 CONTROL AND ACCOUNTABILITY IN PUBLIC ENTERPRISES

Unit Structure

- 2.1 Introduction
- 2.2 Learning Outcomes
- 2.3 Definition of Control
- 2.4 Definition of Accountability
- 2.5 Control of Public Enterprises
- 2.6 Objectives of Control of Public Enterprises
- 2.7 Agencies of Control of Public Enterprises
- 2.8 Summary
- 2.9 References/Further Reading
- 2.10 Possible Answers to Self-Assessment Exercise(s)



2.1 Introduction

In the previous unit, you learnt about the organisational structure and management of public enterprises. This unit will expose you to the various control measures put in place to ensure that the various persons occupying positions of responsibility in public enterprises do not engage in acts inimical to the success of the organisation. The controls ensure that activities of the enterprises are well coordinated and persons carrying out these activities do them in the utmost interest of the organisation.



2.2 Learning Outcomes

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

- define the concept of control
- define the concept of accountability
- state the various control measures available to public enterprises
- state objectives for the control of public enterprises.



2.3 Definition of Control

Control is the function which a manager performs that enables corrective action to be taken.

Controls are signals, standards and landmarks or progress points which management watches to ensure that desired objectives will be achieved. In the case of public enterprises, control is the measurement and correction of activities of public enterprises to ensure the accomplishments of short and long-range plans. Examples of controls are: budget, return on investment, profitability, absenteeism, and efficiency.

2.4 Definition of Accountability

Accountability is being answerable for the performance of given responsibilities and according to set standards or objectives. It answers the question “how well”. In the case of public enterprises, it means reporting and explaining how the resources of the organisation were used to achieve predetermined goals/objectives. Implicit in accountability is the reward. Recognition and reward should be given for good performance while inadequate performance should be sanctioned. Public enterprises are accountable to their supervising authorities/the government and the public. Examples of accountability methods are quality of product and over service rendered, annual reports, external audit, judicial inquiries, press conferences, physical inspection, and scrutiny by other agencies.

2.5 Control of Public Enterprises

Public enterprises being owned by government, either wholly or partially, are subject to some control. The two main forms of control are ministerial control and parliamentary control (Ezeani, 2006).

i. Ministerial Control

Ministerial control of public enterprises takes various forms: firstly, a public enterprise must inform its supervising ministry, obtain its permission before it makes any major changes, and embarks on any new important lines of operation, especially, where such major changes affect the public interest. For example, a public corporation, such as the Power Holding Company of Nigeria (PHCN), must obtain clearance from its controlling ministry before it takes any major decision on almost all the major areas of its operation. Examples are personnel issues, increases in electricity bills, the introduction of new products into the markets, construction or purchase of important technical installations, etc. (Olisa et. al., 1990).

The second form of ministerial control is in the appointment of board members. The President is politically responsible for the appointment of the board and can dissolve it if he is not satisfied with their performance. Usually, the controlling ministry has a

representative on the board whose role is to explain government position on important issues, and ensures that the corporation's affairs are managed along public service rules and other conditions of service of the public enterprise. Each ministry, at the end of the year, prepares an annual report which it submits to the government through its supervising ministry. The ministry after studying the reports asks questions where necessary, before submitting the report to the government with its own comments. The minister also appoints auditors to audit the account of public enterprises and intervenes whenever there is a crisis, like employees of public enterprises embarking on riots or strikes or destruction of public property.

ii. Parliamentary Control/National Assembly

Apart from ministerial control, public enterprises are ultimately accountable to the National Assembly through their ministers who are the political heads of the specific government ministries and oversee public enterprises. Parliamentary committees maintain oversight functions over public enterprises (Adamolekun, 2004). Parliamentary control takes the following forms (Ujo, 2001:83):

- a. Control through the annual report: A public enterprise usually submits a comprehensive annual report of its activities to the parliament through the Minister.
- b. Control through the annual account: A public enterprise usually submits its annual account for a given financial year to the parliament. Such annual accounts and reports are subject to scrutiny and debate in Parliament, and
- c. The Financial Committee of the House may summon the Minister whose ministry supervises a particular public enterprise to explain or discuss issues concerning his/her corporation.

iii. Judicial Control

Many public enterprises in Nigeria, have at one time or the other been subjected to judicial control by the government. From time to time, a government sets up a commission of inquiry into the affairs of one or other of its public corporation (Olisa, et. al., 1990). This action is prompted by public or employee outcry about corruption, mismanagement or incompetence in the company/organisation.

Self-Assessment Exercise 1

Mention three ways by which public enterprises are controlled.

2.6 The Objectives of Control in Public Enterprises

The objectives of control in public enterprises are as follows:

1. The major purpose of control is to ensure that the objectives of the public enterprise are achieved.
2. The effectiveness of public enterprise control is to ensure that the resources of the organisation are adequately used such that outputs are greater than inputs.
3. To ensure the implementation of government policies and targets.
4. To ensure financial responsibility. It facilitates accountability of management to a higher authority and watches for misuse of funds.
5. To ensure the achievement of social objectives of the government and achievement of non-commercial objectives.
6. To curb the undue use of the power of management.
7. To minimise centralisation/concentration of power by supervising ministry or board.
8. To provide timely, accurate and sufficient information to appropriate authorities and the public for the appraisal of the effectiveness of public enterprises.

2.7 Agencies of Control of Public Enterprises

The agencies of control of public enterprises are:

1. National Assembly/Parliament
2. Minister/ Supervising Ministry
3. Board
4. Accountant General/Auditor General
5. Public Accounts Committee
6. Special Agencies of Control, for example, Consumer Associations, Economic and Financial Crimes Commission, and Independent Corrupt Practices and Miscellaneous Offences Commission.

1. National Assembly/Parliament as a Control Organ

In any democratic setting, parliament is assigned the function of control and account of public enterprises.

The need for parliamentary control are:

- i. To fulfil constitutional responsibilities;
- ii. To protect capital invested in the public enterprises;
- iii. To safeguard public interest;
- iv. To ensure uniformity in policies of government;
- v. To monitor the implementation of policies;
- vi. To control the civil servants in the supervising ministries and public servants in the public enterprises.

2. Methods of Control by Parliament

- a. Parliamentary questions;
- b. Discussions;

- c. Debates on outstanding issues; and
- d. Parliamentary Committees on public enterprises for in-depth analysis of issues.

3. Minister as a Control Organ

A Minister exercises control through one or the other, or a combination of the following methods (Prakash et. al., 1997):

(i) **Formal Ministerial Control**

(a) Administrative Devices

Issue of general policy directions; Issue of specific directions;

Approval or veto of specified categories of actions and policies;

Participation in management as chairman, member of the board, etc; Appointment of government board and top officials of the enterprises; Power to call for reports, returns, etc. and Power of suppression

(b) Financial Devices

Approval of issue of additional capital; Approval of capital expenditure beyond specified limit; Appointment of financial adviser; and prior approval of the operating budget

(ii) **Informal Ministerial Control**

Under such control method, the Minister concerned is able to wield more effective control over SOEs informally. Such informal control is exercised through consultation and discussion between the Minister and the Board behind closed doors or pressures, wire pulling or other informal contacts.

4. Accountant General/Auditor General

In many countries, audit control is vested in an auditor general. The power of the auditor general varies from country to country depending on the legal frameworks. Basically, the audit control by Auditor-General covers the following:

- (i) Provision of funds
- (ii) Regularity
- (iii) Sanctions to expenditure
- (iv) Propriety
- (v) Efficiency audit.

5. Public Accounts Committee

This is a committee of the Senate consisting of not more than 40 members, who are saddled with the responsibility of examining the accounts of government organisations showing the appropriation of the sums granted by the House to meet Public Expenditure,

together with the auditor's reports thereon. The Committee shall for the purpose of discharging that duty, have the power to summon persons, subpoena papers and records, and report its findings and recommendations to the House from time to time. The Auditor General shall bring to the attention of the committee any prepayment audit queries raised by the internal auditors of a ministry, department or agency but overruled by the chief executive

6. **Special Agencies of Control:** Examples are: Consumer Associations, Economic and Financial Crimes Commission, and Independent Corrupt Practices and Miscellaneous Offences Commission.

Self-Assessment Exercise 2

State four objectives for the control of public enterprises and mention three (3) agencies engaged in the control of public enterprises.



2.8 Summary

The essence of control in public enterprises as well as in any organisation is very vital as it ensures that organisations' operations are in tandem with laid down rules and regulations. Control of public enterprises is basically in three forms which are Ministerial, Parliamentary and Judicial. Public enterprises are controlled to ensure that the objectives for establishing them are achieved; that the resources are properly used; promote financial responsibility; facilitate accountability; curb the undue use of the power of management; etc.



2.9 References/Further Reading

- Adamolekun, L. (2002). *Public administration in Africa: A Nigeria and comparative perspective* (Ed.). London: Longman Publishers
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Obikeze, O. S. & Anthony, O. E. (2004), *Public Administration in Nigeria: A developmental approach*. Onitsha: Book Point Ltd.

Ozor, E. (2004). *Public enterprises in Nigeria; A study in public policy-making in a changing political economy*. Ibadan: University Press Plc.



2.10 Possible Answers to Self-Assessment Exercise(s)

Answer to SAE 1

Mention three (3) ways by which public enterprises are controlled.

Three (3) ways by which public enterprises are controlled are:

- i. Ministerial control
- ii. Parliamentary control
- iii. Judicial control

Answer to SAE 2

State four objectives for the control of public enterprises and mention three (3) agencies engaged in the control of public enterprises.

The objectives for control of public enterprises are as follows:

1. The major purpose of control is to ensure that the objectives of the public enterprise are achieved.
2. The effectiveness of public enterprise control is to ensure that the resources of the organisation are adequately used such that outputs are greater than inputs.
3. To ensure the implementation of government policies and targets.
4. To ensure financial responsibility. It facilitates accountability of management to a higher authority and watches for misuse of funds.
5. To ensure the achievement of social objectives of the government and achievement of non-commercial objectives.
6. To curb the undue use of the power of management.
7. To minimise centralisation/concentration of power by supervising ministry or board.

UNIT 3 PERFORMANCE, PROBES OF PUBLIC COMMISSIONS OF INQUIRY INTO PUBLIC ENTERPRISES

Unit Structure

- 3.1 Introduction
- 3.2 Learning Outcomes
- 3.3 Performance of Public Enterprises
- 3.4 Probes of Public Commissions of Inquiry into Public Enterprises
- 3.5 Summary
- 3.6 References/Further Reading
- 3.7 Possible Answers to Self-Assessment Exercise(s)



3.1 Introduction

In the last unit, you were introduced to the management practices and control mechanisms of public enterprises. This unit will acquaint you with an overview of the general performance of public enterprises in Nigeria, after which probes of public commissions of inquiry into public enterprises will be discussed. It is a fact that most public enterprises in Nigeria have performed far 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. These aspects are discussed in this unit.



3.2 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
- explain government's efforts toward repositioning public enterprises.



3.3 The Performance of Public Enterprises in Nigeria

Over the years, successive governments have pumped 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, making a very minimal contribution to the nation's economic growth and development through service delivery (Obikeze & Obi, 2003). Virtually all public enterprises in Nigeria render epileptic and unsatisfactory service to the people. Commenting on the issue of the inefficiency of public enterprises in Nigeria, a former Director-General Bureau of Public Enterprises, Mallam Nasiru 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 & Obi, 2003:42). In a similar vein, Otiji (1997) submitted that the image of public enterprises in Nigeria is so bad that it has come to symbolise inefficiency, red-tapism, lack of initiative, and corruption.

Fubara (1983) said the performance of public enterprises in Nigeria was low because: "In most government-owned companies, the 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 have 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 in public enterprises stood at over US\$100 billion in 1996. The return on these investments averaged less than 0.5 per cent per annum (Obikeze and Anthony, 2004:255)."

Self-Assessment Exercise 1

Give an assessment of the general performance of some of the public enterprises in Nigeria.

3.4 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 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 the 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 Exercise 2

Mention one solution adopted by the Nigerian government to solve the problem of public enterprises in Nigeria.



3.5 Summary

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



3.6 References/Further Reading

Fubara, B.A. (1983), *Government in business management in Nigeria*. Lagos: Spectrum.

Obikeze, S. A. and Obi, E.A. (2003), *Government and power of Nigeria: The struggle for power in an African stage*. Onitsha Book Point Ltd.

Otiji, A. (1987). 'Public enterprises in Nigeria'. *Business Times Weekly*, Lagos: Times Press.

Ozor, E. (2004). *Public enterprises in Nigeria; A study in public policy-making in a changing political economy*. Ibadan: University Press Plc.

Ujo, A.A. (1994), *Understanding public administration*. Kaduna: SOLMARA Ventures Ltd.



3.7 Possible Answers to Self-Assessment Exercise(s) within the content

Answer to SAE 1

Give an assessment of the general performance of some of the public enterprises in Nigeria.

Generally, the performance of public enterprises in Nigeria has been below standard. Quite a number of the PEs have failed to achieve the objectives for which they were established. A good example of this is Nigeria Railway Corporation (NRC). Rail services across the country are epileptic as it is only available in negligible parts of the country. The same can also be said of the defunct National Electricity Power Authority (NEPA) now Power Holding Company of Nigeria (PHCN). Several other public enterprises such as the various water boards and corporations have not been living up to their responsibility.

Answer to SAE 2

Mention one solution adopted by the Nigerian government to solve the problem of public enterprises in Nigeria.

One solution adopted by the Nigerian government to solve the problem of public enterprises in Nigeria is the engagement of foreign management consultants to manage public enterprises.

UNIT 4 PROBLEMS OF PUBLIC ENTERPRISES IN NIGERIA

Unit Structure

- 4.1 Introduction
- 4.2 Learning Outcomes
- 4.3 General Problems of Public Enterprises
 - 4.3.1 Incompetent Management
 - 4.3.2 Government Interference
 - 4.3.3 Monopoly
 - 4.3.4 Conflict of Objectives
- 4.4 Summary
- 4.5 References/Further Reading
- 4.6 Possible Answers to Self-Assessment Exercise(s)



4.1 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, and conflict of objectives, among others. This unit will acquaint you with some of these problems that have bedevilled public enterprises in Nigeria.



4.2 Learning Outcomes

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

- state the problems of public enterprises in Nigeria
- explain how these problems have affected the performance of public enterprises.



4.3 General 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 served 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 are corrupt and they feel only accountable to the political office holders who got them their jobs instead of serving the public interest (Ejiofor: 1984:18).

4.3.1 Incompetent Management

It is mandatory for the management of every organisation to carry out its organisational objectives effectively. 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 basis, rather appointments are considered on political connections or primordial reasons. Consequently, the appointees lack 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. Max Weber's assertion that candidates for a 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 in 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 Exercise

Mention one of the fundamental problems of public enterprises in Nigeria.

4.3.2 Government Interference

With the limited autonomy granted to 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 for 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.

4.3.3 Monopoly

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

4.3.4 Conflict of Objectives

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



4.4 Summary

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 (government interference), incompetent management, corruption, inefficiency, bad leadership, monopoly and conflict of objectives 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 organizations, they have no option but to obey, though at public expense.



4.5 Reference/Further Reading

- Ejiofor, P.N.O. (1984). *Making our organizations perform: Anambra state public service lecture*. Enugu: Government Printer.
- Obikeze, S.O. and Obi, E. A. (2004). *Public administration in Nigeria: A development approach*. Onitsha: BookPoint Ltd.
- Ozor, E. (2004). *Public enterprises in Nigeria; A study in public policy-making in a changing political economy*. Ibadan: University Press Plc.



4.6 Possible Answers to Self-Assessment Exercise(s)

Mention one of the fundamental problems of public enterprises in Nigeria.

Answer to SAE

The major problems hindering the performance of public enterprises include political office holders' interference (government interference), incompetent management, corruption, inefficiency, bad leadership, monopoly and conflict of objectives among others.

MODULE 3 CAPITAL STRUCTURE AND FUNDING OF PUBLIC ENTERPRISES

Unit 1	Capital Structure of Public Enterprises
Unit 2	Government Appropriations as a Source of Funding
Unit 3	Private Investments as a Source of Funding
Unit 4	Self Financing as a Source of Funding

UNIT 1 CAPITAL STRUCTURE OF PUBLIC ENTERPRISES

Unit Structure

- 1.1 Introduction
- 1.2 Learning Outcomes
- 1.3 Capital Structure of Public Enterprises
- 1.4 External Source of Funding
- 1.5 Internal Source of Funding
- 1.6 Summary
- 1.7 References/Further Reading
- 1.8 Possible Answers to Self-Assessment Exercise(s)



1.1 Introduction

Public enterprises require good financial base to thrive and expand and be able to achieve its objectives. This unit will acquaint you with the capital structure of public enterprises as well as the various sources of funding available to them.



1.2 Learning Outcomes

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

- discuss the capital structure of public enterprises in Nigeria
- state the various sources of funding available to public enterprises.

1.3 Capital Structure of Public Enterprises

Finance is the live wire of every organisation and public enterprises are not left out. Finances are required to run virtually all operations of public enterprises. Finance is needed to acquire buildings and other fixed assets. Finance is also needed in form of current assets and circulating capital for

the day-to-day running of the enterprise. The capital structure and source of funding for public enterprises have been classified into two major forms. They are external and internal sources of funding.



1.4 External Source of Funding

External source of funds basically entails funds emanating from outside public corporations or enterprises. External sources of funds to public enterprises comprise government appropriations, loans from national financial institutions, local private entrepreneurs (equity subscriptions), and international sources. We shall discuss in detail each of these sources of funding in the subsequent units.

1.5 Internal Source of Funding

This is revenue generated internally by public enterprises from trading surpluses, taxes and dividends and earnings from sales of goods and services after payment of employed capital. The amount of revenue derived internally by public enterprises is usually small due to the fact that they are not primarily established to make profit. Furthermore, government's control over public enterprises tariffs and prices constrains their capacity to make profits (Adamolekun, 2005).

Self-Assessment Exercise 1

State the two major sources by which public enterprises get their funding.



1.6 Summary

The capital structure and sources of funding for public enterprises in Nigeria and beyond are categorised into external and internal sources. External sources come from outside the organisation and they include government appropriations, private investments (i.e. investments by local entrepreneurs through equity subscription), loans from financial institutions and international source. On the other hand, internal sources comprise revenue generated by public enterprises as a result of trading surpluses, taxes, dividends and earnings.



1.7 Reference/Further Reading

Adamolekun, L. (2005). *Public administration in Africa: Main issues and selected country studies* (Ed.). Ibadan: Spectrum Books Limited.

Ejiofor, P.N.O. (1984). *'Making our organizations perform: Anambra state public service lecture*. Enugu: Government Printer.

Obikeze, S.O. and Obi, E. A. (2004). *Public administration in Nigeria: A development approach*. Onitsha: BookPoint Ltd.

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1.8 Possible Answers to Self-Assessment Exercise(s) within the content

Answer to SAE

State the two major sources by which public enterprises get their funding.

Two major sources of funding to public enterprises are external and internal sources.

External Source of Funding: External source of funds basically entails funds emanating from outside public corporations or enterprises. External sources of funds to public enterprises comprise government appropriations, loans from national financial institutions, local private entrepreneurs (equity subscriptions), and international sources.

Internal Source of Funding: This refers to revenue generated internally by public enterprises from trading surpluses, taxes and dividends and earnings from sales of goods and services after payment of employed capital.

UNIT 2 GOVERNMENT APPROPRIATIONS AS A SOURCE OF FUNDING FOR PUBLIC ENTERPRISES

Unit Structure

- 2.1 Introduction
- 2.2 Learning Outcomes
- 2.3 Main Content
- 2.4 Government Appropriations
- 2.5 Summary
- 2.6 References/Further Reading
- 2.7 Possible Answers to Self-Assessment Exercise(s)



2.1 Introduction

In the previous unit, you were introduced to the capital structure and sources of funds available to public enterprises. This unit will discuss in detail government appropriations as an external source of funds for public enterprises.



2.2 Learning Outcomes

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

- explain government appropriation as a source of funding for public enterprises
- discuss the relevance of government appropriation to the capital structure of public enterprises.



2.3 Government Appropriations

Government appropriations can take the form of either outright grants from the government (central, state or from both) or direct share capital subscription by the government. Buttressing this, Ozor (2004) submits that government funds could be made available to public enterprises in various ways which could be outright grants or share capital giving the government the right to receive the undistributed profits of the enterprise; as an interest-bearing and repayable loan, and as a non-interest bearing but repayable loan. However, it is important to note that this mode of

funding public enterprises has the implication of making them very imprudent in managing resources since they know that government must eventually come to their aid in case of sustained losses.

According to Adamolekun (2004), government sources include:

- (a) Capitalisation funds: These are funds provided by the government in order to meet the needs of public enterprises, in terms of equipment, plant, and running capital.
- (b) Grants: Public enterprises receive various grants from the government. Grants can be statutory or special. Special grants are given for specific projects or activities, whereas statutory grants also referred to as subventions are regular and mandatory.
- (c) Subsidies: These are funds given to public enterprises to assist them to offset the losses they incurred due to the following reasons: operation of uneconomic routes; government control of tariffs and prices, etc.
- (d) Loans given to them by the government to ease their financial management problems or to assist them in specific projects or interventions that are of special interest to governments (Adamolekun, 2004). The main disadvantage of loans is that they are not a reliable source of revenue.
- (e) Equity: This is a situation whereby “Government in its capacity as a shareholder in a joint venture, contribute to increase the capital of the enterprise or to increase its share” (Adamolekun, 2004).

Self-Assessment Exercise 1

State two major ways by which government fund public enterprises.



2.4 Summary

Public enterprises as public organisations derive their major source of funding from government appropriations. Government appropriations can take the form of either outright grants from the government (central, state or from both) or direct share capital subscription by the government. It could also be in form of capitalisation funds, grants, subsidies, loans and equity subscription.



2.5 Reference/Further Reading

Adamolekun, L. (2005). *Public administration in Africa: Main issues and selected country studies* (Ed.). Ibadan: Spectrum Books Limited.

Ejiofor, P.N.O. (1984). *Making our organizations perform: Anambra state public service lecture*. Enugu: Government Printer.

Obikeze, S.O. and Obi, E. A. (2004). *Public administration in Nigeria: A development approach*. Onitsha: BookPoint Ltd.

Ozor, E. (2004). *Public enterprises in Nigeria; A study in public policy-making in a changing political economy*. Ibadan: University Press Plc.



2.6 Possible Answers to Self-Assessment Exercise(s)

Answer to SAE

State two major ways by which the government fund public enterprises.

Government funds public enterprises through:

- (a) Capitalisation funds: These are funds provided by the government in order to meet the needs of public enterprises, in terms of equipment, plant, and running capital.
- (b) Grants: Public enterprises receive various grants from the government. Grants can be statutory or special. Special grants are given for specific projects or activities, whereas statutory grants also referred to as subventions are regular and mandatory.
- (c) Subsidies: These are funds given to public enterprises to assist them to offset the losses they incurred due to the following reasons: operation of uneconomic routes; government control of tariffs and prices, etc.
- (d) Loans given to them by the government to ease their financial management problems or to assist them in specific projects or interventions that are of special interest to governments.

UNIT 3 PRIVATE INVESTMENTS AS A SOURCE OF FUNDING

Unit Structure

- 3.1 Introduction
- 3.2 Learning Outcomes
- 3.3 Private Investments
- 3.4 Summary
- 3.5 References/Further Reading
- 3.6 Possible Answers to Self-Assessment Exercise(s)



3.1 Introduction

Public enterprises require a good financial base to thrive and expand and be able to achieve their objectives. In the previous unit, we discussed government appropriation as a source of funding for public enterprises. This unit will take you through private investments as another source of funding for public enterprises.



3.2 Learning Outcomes

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

- explain private investments as a source of funding for public enterprises
- state the various forms of private investments available to public enterprises.



3.3 Private Investments

Another source of financing public enterprises is private investments. This is done by private individuals buying shares in public enterprises when such is available (i.e. equity holding). Government can purposely do this. In well-organised and profitable public enterprises, the private sector can also invest by buying the share capital of the enterprises which offer their shares to the public. This is how some enterprises in developing countries like India obtained their capitalisation. However, this source of financing is rare in Nigeria.

Another way of private financing of public enterprises is through borrowing or obtaining a loan from finance houses. In other words, public enterprises can raise funds by borrowing from financial institutions i.e. commercial banks, development banks and industrial development banks. Such loans are often guaranteed by the government which established these enterprises.

It is worthy of note that private investments in Nigeria as in other parts of the world constitute a negligible proportion of public enterprises' finance. This is due to a number of reasons. Firstly, private investors are not too keen to invest most of the time in public enterprises because government interventions to a large extent make it difficult for them to break-even and therefore unable to make profits, not to talk of paying dividends to their shareholders. Secondly, the capacity of public enterprises to borrow is limited by the government and most of the time, they are not allowed to borrow money from financial houses. Thirdly, the lack of sufficient local entrepreneurship with adequate capital to embark upon such capital-intensive enterprises which made the government go into public enterprises in the first place.

Self-Assessment Exercise 1

Explain private investments as a source of financing for public enterprises.



3.4 Summary

Private investments constitute a source of financing for public enterprises which is majorly done through equity subscription; that is the buying of shares when they are offered for sale. Private investments are external sources of funding for public enterprises. It is done through equity (shareholding) or contractor finance. Contractor financing is a situation whereby a private entrepreneur funds a particular project for a public enterprise (e.g. a building) and is refunded later along with agreed interest.



3.5 Reference/Further Reading

Adamolekun, L. (2005). *Public administration in Africa: Main issues and selected country studies* (Ed.). Ibadan: Spectrum Books Limited.

Ejiofor, P.N.O. (1984). *'Making our organizations perform: Anambra state public service lecture*. Enugu: Government Printer.

Obikeze, S.O. and Obi, E. A. (2004). *Public administration in Nigeria: A development approach*. Onitsha: BookPoint Ltd.

Ozor, E. (2004). *Public enterprises in Nigeria; A study in public policy-making in a changing political economy*. Ibadan: University Press Plc.



3.6 Possible Answers to Self-Assessment Exercise

Answer to SAE

Explain private investments as a source of financing for public enterprises.

Private investment as a source of funding for PEs is done by private individuals buying shares in public enterprises when such is available (i.e. equity holding). Another way of private financing of public enterprises is through borrowing or obtaining loans from finance houses.

UNIT 4 SELF FINANCING AS A SOURCE OF FUNDING

Unit Structure

- 4.1 Introduction
- 4.2 Learning Outcomes
- 4.3 Self-Financing as a source of funding for Public Enterprises
- 4.4 Summary
- 4.5 References/Further Reading
- 4.6 Possible Answers to Self-Assessment Exercise(s)



4.1 Introduction

Private investments as a source of financing public enterprises which basically entails equity subscription by private entrepreneurs were focused on in the previous unit. As another source of financing for public enterprises, this unit will be concerned with inward-looking measures adopted by public enterprises to finance their operations. The term self-financing represents this. The unit will take you through the various measures by which public enterprises can raise capital inwardly to expand and grow their operations.



4.2 Learning Outcomes

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

- define self-financing as a source of fund for public enterprises
- explain the concept of plough-back earnings for public enterprises
- state the various self-financing options available to public enterprises.



4.3 Self-Financing

Self-financing is a process whereby a public enterprise can plough back its profits for the purpose of expansion. In other words, this could be a source of funds, however, only on the proviso that profits are made. Apart from self-financing from profits, public enterprises can have other sources for self-financing their expansion. For instance, where a public enterprise has a strategic reserve of development funds, or when it obtains funds from previous investment elsewhere or when it disposes of some of its

assets through sales, etc. it can use the extra capital thus acquired to finance its further expansion.

Other forms of self-financing for public enterprises, though limited to commercialised public enterprises include plough-back profit, loans and individual capitalisation.

- i. **Plough-back earnings:** It simply entails ploughing back past earnings for the purpose of expanding the enterprise in order to make more earnings. In this case, part or all earnings are kept in the corporation to be used to expand the business and not shared out as dividends to shareholders.
- ii. **Loans:** Commercialised enterprises like private organisations can get loans from financial houses if they so wish or where the need arises without checks, in so far as they can meet the demands or requirements of the financial houses. Thus, privatized and commercialised enterprises have been able to raise funds through loans from financial houses or debentures, unlike pure public enterprises. This, however, does not constitute a significant aspect of financing for public enterprises in Nigeria
- iii. **International sources:** public enterprises also derive external funding from international sources, such as foreign private sector (financial institutions, as well as entrepreneurs), international development agencies, and in some cases, foreign governments (Adamolekun, 2004).

Self-Assessment Exercise

Define the term 'self-financing' as a source of funds for public enterprises.



4.4 Summary

Summarily, public enterprises rely mainly on external sources of funds than on internal sources. Also in virtually every sub-Saharan African country, public enterprises rely mostly on government funding. Furthermore, they must get government approval before they borrow from both the domestic and the international capital market. The implication of heavy dependency on the government for funding is limited autonomy for public enterprises. Self-financing constitutes internal sources of funding for public enterprises. It is done through the ploughing back of earnings realised in the course of sales of goods and

services produced by the enterprises. These enterprises keep and reinvest for the expansion of their operations.



4.5 Reference/Further Reading

Adamolekun, L. (2005). *Public administration in Africa: Main issues and selected country studies* (Ed.). Ibadan: Spectrum Books Limited.

Ejiofor, P.N.O. (1984). *'Making our organizations perform: Anambra state public service lecture*. Enugu: Government Printer.

Obikeze, S.O. and Obi, E. A. (2004). *Public administration in Nigeria: A development approach*. Onitsha: BookPoint Ltd.

Ozor, E. (2004). *Public enterprises in Nigeria; A study in public policy-making in a changing political economy*. Ibadan: University Press Plc.



4.6 Possible Answers to Self-Assessment Exercise

Define the term 'self-financing' as a source of funds for public enterprises.

Meaning of Self-financing: Self-financing is a process whereby a public enterprise can plough back its profits for the purpose of expansion. Other forms of self-financing for public enterprises, though limited to commercialised public enterprises include plough-back profit, loans and individual capitalisation.

MODULE 4 PUBLIC ENTERPRISES REFORMS

Unit 1	Meaning of Reform and Public Sector Reforms
Unit 2	Public Enterprise Reforms: Privatisation
Unit 3	Public Enterprise Reforms: Commercialisation
Unit 4	Privatisation and Commercialisation in Nigeria

UNIT 1 MEANING OF REFORM AND PUBLIC SECTOR REFORMS

Unit Structure

- 1.1 Introduction
- 1.2 Learning Outcomes
- 1.3 Concept of Reform
- 1.4 Public Sector Reforms
- 1.5 Summary
- 1.6 References/Further Reading
- 1.7 Possible Answers to Self-Assessment Exercise(s)



1.1 Introduction

In the previous modules and units, you have been taken through the fundamentals of public enterprises with particular reference to their origin, reasons for creation, classifications, organisation and management, sources of funding and challenges militating against their optimal performance. This module will be concerned with strategies, otherwise popularly known as reforms that have been adopted to make public enterprises more productive and successful in their various endeavours. In this unit, you will be told what reforms means and the various forms of public sector reform.



1.2 Learning Outcomes

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

- define the concept of reforms
- state the various forms of public sector reform.



1.3 Concept of Reform

The concept of reform defies clear-cut definition. Reform involves activities seeking to improve the public administration of the State, its roles and functions as well as the effectiveness and efficiency of its core public service institutions in a systemic and sustainable manner (Caiden 1978; 1980). The emphasis on systemic and sustainable is to underline that the desired reforms bring about enduring changes in the behaviour of public sector actors in the interests of better outcomes for citizens. When planned changes do not institutionalise new or modified behaviours and practices that lead to these better outcomes for citizens, the reforms do not qualify as systemic and sustainable (Sida, Irish Aid and UK Aid, 2013).

According to Caiden and Sundaram (2004), reform may be viewed as a series of three things: (i) a deliberate plan to change public bureaucracies; (ii) synonymous with innovation, which is the injection of new ideas and new people in a new combination of tasks and relationships into the policy and administrative process; and (iii) coping with the uncertainties and rapid changes taking place in the organisational environment.

In short, we may define reform as systematic changes in the administrative system, which are designed to lead to a more efficient, effective and responsive administration. It has to do with the repositioning or re-profiling of an organisation for effectiveness and efficiency (Caiden 1991a&b; 1999). Some of its core elements include changes to public bureaucracies; innovation; systemic and wide-ranging changes, and urgent coping with changes occurring in the administrative environment.

Self-Assessment Exercise 1

Define the term 'Reform'.

1.4 Public Sector Reform

Public sector reform consists of deliberate changes to the structures and processes of public sector organisations with the objective of getting them to run better. Structural change may include merging or splitting public sector organisations while process change may include redesigning systems, setting quality standards, and focusing on capacity-building. Public sector reform (PSR) refers to strengthening the management of the public sector. In particular, it involves an effort to fix the problems of the public sector, such as: over-extension –attempting to do too much with too few resources; poor organisation; irrational decision-making

processes; mismanagement of staff; weak accountability; poorly designed public programs; and poorly delivered public services

Reforms in public sector organisations basically emphasized a reduced role of the state, effectiveness of public sector institutions in providing value for money services and adoption of market-oriented organisational mechanisms such as decentralisation, privatisation, commercialisation, contracting out, deregulation, performance management, downsizing and pay reform to ensure and improve effective and efficient public service delivery (Achegbulu & Nelson, 2020).

1.5 Principles of Public Sector Reforms

The Commonwealth Working Group on Public Administration (CWGPA) in 2014 cited in Abolo (2019), endorsed the following key guiding principles for reforms in the public sector:

- i. A new pragmatic and results-oriented framework
- ii. Clarification of objectives and administrative structures
- iii. Intelligent political strategies and engagement
- iv. Goal-oriented competencies and skills development
- v. Experimentation and innovation
- vi. Professionalisation and improved morale
- vii. A code of conduct for public sector ethics
- viii. Effective and pragmatic anti-corruption strategies
- ix. Effective public financial management

A new pragmatic and results-oriented framework: As a result of the continuous rise in pressure on public resources, increased demand for better, high-quality and more responsive public services has prompted most governments to embrace results-oriented frameworks for programme planning and delivery. The aim is to facilitate better service delivery and ‘value for money’. The focus on results helps determine national strategic priorities and objectives (outcomes/results) and the translation of these into outputs. It also ensures a linkage between costs and outputs and outcomes, and measures how efficiently and effectively these outputs and outcomes are being achieved.

Clarification of objectives and administrative structures: Capacity development remains a key priority in many countries, but this needs to be linked to a careful analysis of politically feasible development priorities and needs. Administrative capabilities for service delivery; regulation of local and foreign businesses; and implementation of policies to develop the capabilities of domestic enterprises or regulate particular sectors of the economy.

Intelligent political strategies and engagement: Linkages between politics (formal and informal political arrangements and power structures), policies (objectives and goals) and administrative capabilities (the public bureaucracy) should be the basis for a pragmatic incremental approach to public service reform. Reform should thus seek to craft strategic engagements between the political and administrative leadership so as to forge mechanisms that enhance performance and public service delivery.

Goal-oriented competencies and skills development: Capacity-building must be conducted around specific needs, and training must be tailored to address this need and ensure the skills being built directly address the goals to be achieved. Capacity-building must not only focus on the ‘hard issues’, such as administrative, legal and constitutional matters; also, public service officials must be equipped with ‘soft skills’, such as negotiation, diplomacy, leadership, public speaking and communication. This will complement their technical knowledge and enhance their performance and productivity.

Experimentation and innovation: The development of capabilities and the evolution of effective problem-solving approaches requires the bureaucracy capacity to carry out experimentation and learning within carefully defined limits. The experience of successful countries shows that bureaucracies are most effective when they experiment with new and innovative ways of problem-solving.

Professionalisation and improved morale: Higher levels of remuneration and better social recognition of the work of public servants are important but insufficient on their own to boost morale. Non-financial incentives, competitive remuneration and a citizen-based approach to service delivery are some of the ways of both improving perceptions of service delivery and incentivising public servants. In professionalisation, emphasis must be placed on qualifications and competency as against favouritism, ethnicity and politicisation.

A code of conduct for public sector ethics: The development of open and enforceable public service standards and ethics is critical to improving both the perception and the professionalism of the public service. The enforcement of such professional codes should go beyond legal enforcement to include non-judicial channels such as internal or external peer reviews and self-regulation.

Effective and pragmatic anti-corruption strategies: To tackle corruption which has happened to be one of the monsters bedevilling the public sector, concrete and effective measures must be put in place.

Active and strong public institutions must be set up and leveraged on technological improvements to policy implementation.

Effective public financial management: Sound public financial management is an essential part of the development process. It supports aggregate control, prioritisation, accountability and efficiency in the management of public resources and service delivery, which are critical to the achievement of national policy objectives and goals. The management and operation of public finances are therefore at the heart of administrative and reform challenges in the public service. The introduction of reforms such as Financial Management Information Systems (FMIS), procurement and asset/wealth declaration laws has helped minimise loopholes for corrupt practices and misuse of public financial resources. Nonetheless, corruption requires more proactive attention to regulatory mechanisms, such as making oversight institutions such as the supreme audit and the internal audit and public procurement more effective and making the decision-making process more transparent. In addition, enforcement of rules and reporting mechanisms is imperative.

Features/Elements of Public Sector Reforms

PSRs have focused on the following five features or elements. They are:

- i. The redefinition of the role of the state, which includes the principle of subsidiarity;
- ii. efficiency measures such as improved financial and human resources systems to enhance public management performance;
- iii. Financial management that includes budget reforms, the introduction of the medium and expenditure framework (MTEF) and tax administration such as the creation of semi-autonomous revenue agencies;
- iv. Improved service delivery through surveys of service delivery, quality charters and programme evaluation;
- v. Enforcing accountability through internal and external control mechanisms such as internal audits, code of ethics, developing the capacity of supreme audit agencies and improving the independence of the judiciary, legislative and civil society organisations
- vi. A new element has been introduced which some scholars have referred to as **the “new public service, serving rather than steering”**.

Self-Assessment Exercise 2

Mention three principles of public sector reform.



1.6 Summary

Reform involves activities which seek to improve the public administration of the State, its roles and functions as well as the effectiveness and efficiency of its core public service institutions in a systemic and sustainable manner. The basic rationale behind reform is to reduce the participation of the state in the economy by shifting responsibilities to the private sector. This is done to enhance the delivery of quality and affordable services to the populace.

Public sector reform consists of deliberate changes to the structures and processes of public sector organisations with the objective of getting them to run better. Structural change may include merging or splitting public sector organisations while process change may include redesigning systems, setting quality standards, and focusing on capacity-building. Reforms in public sector organisations basically emphasised a reduced role of the state, effectiveness of public sector institutions in the delivery of services and adoption of market-oriented organisational mechanisms such as decentralisation, privatisation, commercialisation, contracting out, deregulation, performance management, downsizing, etc.



1.7 Reference/Further Reading

- Abolo, E.M. (2019). Public service reforms; objectives; principles; outcomes and role of international organisations. Retrieved from <https://www.researchgate.net/publication/338166057> on July, 2022
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1.8 Possible Answers to Self-Assessment Exercise(s)

Answer to SAE 1

What is Reform?

Meaning of Reform: Reform involves activities seeking to improve the public administration of the State, its roles and functions as well as the effectiveness and efficiency of its core public service institutions. According to Caiden and Sundaram (2004), reform may be viewed as a series of three things: (i) a deliberate plan to change public bureaucracies; (ii) synonymous with innovation, which is the injection of new ideas and new people in a new combination of tasks and relationships into the policy and administrative process; and (iii) coping with the uncertainties and rapid changes taking place in the organisational environment. In short, we may define reform as systematic changes in the administrative system, which are designed to lead to more efficient, effective and responsive administration.

Answer to SAE 2

Mention three principles of public sector reform.

Principles for reforms in the public sector include:

- i. A new pragmatic and results-oriented framework
- ii. Clarification of objectives and administrative structures
- iii. Intelligent political strategies and engagement
- iv. Goal-oriented competencies and skills development

UNIT 2 PUBLIC ENTERPRISE REFORMS: PRIVATISATION

Unit Structure

- 2.1 Introduction
- 2.2 Learning Outcomes
- 2.3 Meaning of Privatisation
- 2.4 Goals of Privatisation
- 2.5 Arguments for Privatisation
- 2.6 Arguments against Privatisation
- 2.7 Summary
- 2.8 References/Further Reading
- 2.9 Possible Answers to Self-Assessment Exercise(s)



2.1 Introduction

Beginning in the 1980s some developed countries, led by Britain and New Zealand, embarked on a major overhauling of public enterprise sector. In Britain, the reform was pushed through a comprehensive privatisation program, and New Zealand combined privatisation with commercialisation. Public enterprise reform efforts that were subsequently launched worldwide in both developed and developing countries combine aspects of the British and New Zealand approaches. In the different countries, public enterprise reformers seek to achieve a combination of the following objectives:

- i. To ensure profitability by avoiding trading losses
- ii. To avoid liquidity crises and rising debts
- iii. To restructure and rationalise the public sector in order to remove the dominance of unproductive investments
- iv. To prevent public enterprises from being an ever-increasing burden on the government budget and to facilitate their access to capital markets
- v. To ensure positive returns on investments in restructured enterprises and improve the managerial and operational performance of those enterprises that will remain in the public sector
- vi. To initiate the process of the gradual cession to the private sector of public enterprises that, by the nature of their operations and other socio-economic factors, are best performed by the private sector
- vii. To create a favourable investment climate for both local and foreign investors

- viii. To provide institutional arrangements and operational guidelines that would ensure that the gains of the reform program are sustained in the future
- ix. To encourage wider share ownership, especially among the lower income groups.

This unit acquaints you with the reforms that have been witnessed by public enterprises with a particular focus on privatisation.



2.2 Learning Outcomes

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

- define privatisation
- state the goals of privatisation
- state arguments for and against privatisation.



2.3 Meaning of Privatisation

Narrowly defined, privatisation implies the permanent transfer of control, as consequence of the transfer of ownership rights, from the public to the private sector. This definition is perhaps the most common usage of the term. A broader definition entails any measure that results in a temporary transfer to the private sector of activities exercised hitherto by a public agency. This may be of available productive resources, restructuring of the existing institutional setting in which production of her forms of corporate governance devoid of political interference is intended (Shirley, 1999; Jerome, 1996).

Privatisation can also entail a transfer of the provision of goods or services from the public to the private sector with the government retaining the ultimate responsibility for providing the service. The prime examples of this type of privatisation are: subcontracting management contracts, leases and concessions, as well as build, operate and transfer schemes. It is even possible to envisage privatisation taking place without a transfer of ownership of assets. For example, liberalisation or deregulation is regarded as the abolition of restrictions on entry, prices, output, market, profits, etc.

According to Adamolekun (2005), privatisation involves the partial or total transfer of ownership of a public enterprise to the private sector. Fully privatised public enterprises are those in which the government

surrenders its ownership entirely. The partially privatised public enterprises are those that the government considers strategic and wants to keep under its supervision through minority shareholding. There are at least five forms of privatisation:

Public offer of shares: the state-owned shares in the enterprise are offered to the public at large (i.e., replacing government ownership with public ownership)

Private placement of shares: the state-owned shares in the enterprise are transferred to private individuals

Debt equity swap: the ownership of a public enterprise is transferred to the private sector in settlement of its debts

Liquidation: the breakup and/or sale of the public enterprises' assets

Deferred public offers: for example, the shares of the public enterprise are offered to its employees, etc.

When the transfer of ownership is not involved, the management of some public enterprises can be handed over to private sector entrepreneurs either through management contracts or lease arrangements. Varying combinations of these reform measures are currently (1998) being implemented in most Sub-Saharan African countries. Only a few countries have moved vigorously with privatization (e.g. Ghana, Uganda, and Zambia), and the majority have made modest to limited progress (Benin, Côte d'Ivoire, Cameroon, Guinea, Kenya, and Togo). In South Africa, Tanzania, and Zimbabwe, the political leadership teams remain strongly wedded to public ownership and are taking only small steps toward privatisation. In Kenya and Nigeria privatisation is characterised by periodic policy reversals.

Given the strong evidence of the overall positive results from privatisation in industrialised countries (notably Britain) and in many developing countries in Asia and Latin America as well as in the transition economies of Eastern Europe and the former Soviet Union, privatisation is without question a major route to public enterprise reform that sub-Saharan African countries should pursue in the short to medium term.

Self-Assessment Exercise 1

Define privatisation and state three types or forms of privatisation.

2.4 Goals of Privatisation

According to Kupolokun (2004), the goals of privatisation and liberalisation are to:

- i. Dismantle the natural monopoly of the state-owned enterprise by privatising and deregulating price control;
- ii. Creation of competition in the downstream sector by encouraging more companies to get involved and eventually supplying the market at competitive pricing levels.
- iii. Reduce the cost government spends on subsidies;
- iv. Boost Foreign Direct Investment in the Nigerian economy;
- v. Reduction in transportation costs of productions and personnel.

Self-Assessment Exercise 2

In your own understanding, what are the goals of privatization?

2.5 Arguments for Privatisation

1. Public enterprises in Nigeria have been characterised by inefficiency, low productivity and unprofitability for a variety of reasons. The only way to make them achieve "better" results is to privatise them.
2. Because public enterprises have come to constitute a drain on the scarce resources of the state, the trend is to privatise these enterprises.
3. Another argument is that since public enterprises have failed to achieve the objectives for which they were established, the only way to correct the situation is by privatising them.
4. Another argument is that since public enterprises have failed to achieve the objectives for which they were established, the only way to correct the situation is by privatising them.
5. It is argued that if public enterprises are privatised, they will generate greater wealth and provide more employment because their efficiency and productivity levels will be raised.
6. Above all, the history of public enterprises in Nigeria is littered with unacceptable levels and cases of corruption and nepotism which can only be corrected through privatisation.
7. Privatisation is a necessary means of removing political interference and administrative red tape from public enterprises.
8. It is also believed that privatisation will yield enormous amounts of money for the government through taxes on their profits. This should go a long way in helping to solve the fiscal crisis of the state.

2.6 Arguments against Privatisation

Privatisation is not a panacea for managing the mismanaged public sector enterprises. The following arguments are offered against privatisation (Sharma *et al.* 2011):

1. Relationship between ownership and performance: Privatisation presupposes a positive relationship between ownership and performance. Increased competition between state-owned enterprises and the private sector can produce results better than those produced by privatisation. The marketisation of public enterprises is better than privatisation of these enterprises.
2. Disparities of income: Concentration of power in a few hands will increase the gap between the "haves" and the "have nots". The very purpose for which these enterprises were initially set up would be defeated.
3. Unbalanced regional development: industries requiring huge investment but yielding low returns will not be taken over by the private sector else, the objective of balanced regional development will be defeated.
4. Monopolistic Practices: Complete privatisation will result in monopolistic practices at the cost of social goals. Anti-social activities like black marketing, hoarding, speculation, etc., are the likely outcomes of businesses run by private entrepreneurs in the absence of government regulation and control. It is, therefore, necessary that privatisation is allowed under legislative protection.
5. No guarantee of success: Privatisation only expects better management and efficiency of inefficient units. It does not guarantee the solution to the operational efficiency of the public sector.

Self-Assessment Exercise 3

Mention three arguments each for and against privatisation.



2.7 Summary

Privatisation has to do with the partial or total transfer of ownership of public enterprises to the private sector which can be either full or partial. The essence of the transfer of ownership is to promote the efficiency and effectiveness of publicly-owned companies. Fully privatised public enterprises are those in which the government surrenders its ownership entirely. The partially privatised public enterprises are those that the government considers strategic and wants to keep under its supervision through minority shareholding. There are at least five forms of

privatisation: public offer of shares, private placement of shares, debt-equity swap, liquidation and deferred public offers.

The goals of privatisation include dismantling the monopoly of the state-owned enterprises, reducing the cost of government spending on subsidies; boosting Foreign Direct Investment (FDI), etc.



2.8 Reference/Further Reading

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2.9 Possible Answers to Self-Assessment Exercise(s)

Answer to SAE 1

Define privatisation and state three types or forms of privatisation.

Meaning and types of privatisation: Privatisation involves the partial or total transfer of ownership of a public enterprise to the private sector. Fully privatised public enterprises are those in which the government surrenders its ownership entirely. The partially privatised public enterprises are those that the government considers strategic and wants to keep under its supervision through minority shareholding. There are at least five forms of privatisation:

Public offer of shares: The state-owned shares in the enterprise are offered to the public at large (i.e., replacing government ownership with public ownership).

Private placement of shares: The state-owned shares in the enterprise are transferred to private individuals.

Debt equity swap: The ownership of a public enterprise is transferred to the private sector in settlement of its debts

Liquidation: The breakup and/or sale of the public enterprises' assets

Deferred public offers: for example, the shares of the public enterprise are offered to its employees, etc.

Answer to SAE 2

Mention three arguments each for and against privatisation.

The goals of privatisation are to:

- i. Dismantle the natural monopoly of the state-owned enterprise by privatising and deregulating price control.
- ii. Creation of competition in the downstream sector by encouraging more companies to get involved and eventually supplying the market at competitive pricing levels.
- iii. Reduce the cost of government spending on subsidies.
- iv. Boost Foreign Direct Investment in the Nigerian economy.
- v. Reduction in transportation costs of productions and personnel.

Answer to SAE 3

Mention three arguments each for and against privatisation.

Arguments for privatisation are:

- i. Because public enterprises have come to constitute a drain on the scarce resources of the state, the trend is to privatise these enterprises.
- ii. Another argument is that since public enterprises have failed to achieve the objectives for which they were established, the only way to correct the situation is by privatising them.
- iii. Another argument is that since public enterprises have failed to achieve the objectives for which they were established, the only way to correct the situation is by privatising them.
- iv. Privatisation is a necessary means of removing political interference and administrative red tape from public enterprises.

Arguments against privatisation include:

- i. Disparities of income, that is concentration of power in a few hands will increase the gap between the "haves" and the "have nots".
- ii. Unbalanced regional development: Industries requiring huge investment but yielding low returns will not be taken over by the private sector else, the objective of balanced regional development will be defeated.
- iii. Monopolistic practices: Complete privatisation will result in monopolistic practices at the cost of social goals. It is allowed under legislative protection.

UNIT 3 PUBLIC ENTERPRISE REFORMS: COMMERCIALIZATION

Unit Structure

- 3.1 Introduction
- 3.2 Learning Outcomes
- 3.3 Meaning of Commercialisation
- 3.4 Goals of Commercialisation
- 3.5 Summary
- 3.6 References/Further Reading
- 3.7 Possible Answers to Self-Assessment Exercise(s)



3.1 Introduction

In the previous unit, you were introduced to privatisation as a reform strategy of public enterprises as well as the various arguments for and against privatisation, this unit will therefore acquaint you with the second major reform of public enterprises known as commercialisation.



3.2 Learning Outcomes

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

- define commercialisation
- state the objectives of commercialisation.



3.3 Meaning of Commercialisation

Commercialisation is the re-organisation of enterprises wholly or partly owned by the government in which such commercialised enterprises shall operate as a profit-making commercial venture and without subvention from the government. Commercialisation involves reforms that aim at making public enterprises more efficient.

There is partial commercialisation and full commercialisation. Public enterprises that are fully commercialised become entirely self-sufficient, with the capacity to make contributions to the treasury. They are supposed to raise their capital and operating expenses from the capital markets. Partly commercialised public enterprises are expected at least to cover

their operating costs. The operations of some of them might require a high level of capital investment, for which the government has to intervene.

In some cases, commercialisation could involve the change of the relationship between the management of the public enterprises and the government through performance contracts or management contracts. Performance contracts are used to define new relationships between public enterprise managers and the government with a view to making the achievement of desired results possible. In management contracts, a private enterprise takes up the management of a public enterprise in exchange for a fee payable by the government.

Self-Assessment Exercise 1

What do you understand by the reform ‘commercialisation’?

3.4 Objectives of Commercialisation

The objectives of the commercialisation programme are as follows:

- 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 to approach the capital market to fund their operations without government guarantees.
- v. To develop the capital market.
- vi. To restructure the capital of affected enterprises in order to facilitate good management and access to the capital market.

Self-Assessment Exercise 2

Discuss the objectives of commercialisation.



3.5 Summary

Commercialisation means a policy of the government that allows its public enterprises to operate, if not on a purely commercial, i.e. profit-making basis, but to at least be in a position of meeting its running costs. Commercialisation is the re-organisation of enterprises wholly or partly owned by the government in which such commercialised enterprises shall operate as a profit-making commercial venture and without subvention from the government. Commercialisation involves reforms that aim at making public enterprises more efficient. There is partial commercialisation and full commercialisation. The objectives of commercialisation include restructuring and rationalising public enterprises to ensure an effective, cost-conscious, and goal-oriented; installing and maintaining modern and effective accounting systems; enforcement of strict commercial principles and practices; developing the capital market; and restructuring the capital of affected enterprises in order to facilitate good management and access to the capital market. In view of the arguments submitted above, commercialisation can be considered as a right recourse to addressing challenges bedevilling public enterprises as they have constituted a huge drain pipe to the government.



3.6 Reference/Further Reading

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3.7 Possible Answers to Self-Assessment Exercise(s)

Answer to SAE 1

What do you understand by the reform ‘commercialisation’?

Meaning of commercialisation: Commercialisation is the re-organisation of enterprises wholly or partly owned by the government in which such commercialised enterprises shall operate as a profit-making commercial venture and without subvention from the government. Commercialisation involves reforms that aim at making public enterprises more efficient. There is partial commercialisation and full commercialisation. Full commercialised involves public enterprises becoming entirely self-sufficient, with the capacity to make contributions to the treasury while partial commercialisation has to do with public enterprises being expected at least to cover their operating costs.

Answer to SAE 2

Discuss the objectives of commercialisation.

The objectives of the commercialisation programme are:

- i. To restructure and rationalise public enterprises to ensure an effective, cost-conscious, and goal-oriented management and staff.
- ii. Undertaking a comprehensive review of the accounting and management information system of the parastatals to install and maintain modern and effective accounting systems.
- iii. To check the present absolute dependence on the treasury for funding.
- iv. To develop the capital market.
- v. To restructure the capital of affected enterprises in order to facilitate good management and access to the capital market.

In July 1988, the federal Military Government promulgated Decree No.25, the Privatisation and Commercialisation Decree which gave legal backing to the execution of the privatisation and commercialisation programme in Nigeria. 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 the capital market.
- iv. To restructure and rationalise 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 commercialised enterprises.
- vi. To check the present absolute dependence on the treasury for 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.

4.4 Commercialisation of Public Enterprises in Nigeria

Commercialisation in Nigeria began in 1990 in the following areas.

- (a) Use of financial resources
- (b) Profitability
- (c) Development of its functional strengths and elimination of its weakness
- (d) Product/service range
- (e) Human resources and organisation

Some of the perceived 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 directors and management capacity (Sexty, 1985:60).

4.5 Implementation Scheme: Privatisation and Commercialisation Strategies

Implementation of the privatisation and commercialisation of public enterprises involved a series of operations mapped out by the then Federal Military Government. They include:

1. The promulgation of Decree No. 25 of 1988 which gave legal status to the policy
2. Inauguration of the Technical Committee on Privatisation and Commercialisation (TCPC) which was charged with the sole responsibility of ensuring that the public enterprises slated for either privatisation or commercialisation were privatised or commercialised accordingly. Functions of the committee include advising on the capital restructuring needs of enterprises to be either privatised or commercialised; carrying out all activities required for the successful public issuing of shares of the enterprises, appointing issuing houses, stockbrokers, solicitors, accountants, etc.; negotiating for a price for each issue; oversee the actual sale of shares of the enterprises; make proposals on the sale of government shares in such designated enterprises; etc.

In the performance of the above functions and responsibilities assigned to it, depending on the degree of privatisation or commercialisation to which an enterprise fell, the following modalities were followed:

- i. **Outright sale:** This was adopted when the enterprises involved were slated for full privatisation. What the committee did in this situation was to do a detailed assessment of the enterprises and therefore, determine their net worth. The price for the enterprises would be made public and sold to persons who meet the financial demands of the committee
- ii. **Selling of shares to the public:** The TCPC would go into negotiations with the financial houses for the determination and issuing of shares for the public to buy. This is done also in full

commercialisation and partial privatisation so as to ensure that as many people as possible may have shares in the enterprises to ensure even distribution.

Thus, two major ways were used for the privatisation exercise- outright sale and selling of shares after all the requirements of the financial houses had been met.

With a view to consolidating and stabilising the gains made during the first phase of the privatisation and commercialisation exercise, the Federal Government established the Bureau of Public Enterprises under Decree 78 of 1993 and set up a management board consisting of 11 members under a part-time chairman. The functions of the Bureau as set out in the Decree can be summarised under three major categories, viz:-

- i. Supervising and overseeing the success of further privatisation of the public enterprises listed in the decree;
- ii. Ensuring the management, in accordance with sound commercial principles and prudent financial practices of the public enterprises remaining after privatisation; and
- iii. Liaising with the Federal Government through the presidency on the proper disposal by public issue of shares under generally acceptable prices; and the incorporation of privatised enterprises as limited liability companies.

These strategies entail:

1. Full Privatisation: Divestment by the Federal government of all its ordinary share-holding in the designated enterprise;
2. Partial Privatisation: Divestment by the Federal government of part of ordinary share-holding in the designated enterprise;
3. Full Commercialisation: This means that the enterprise so designated will be expected to operate profitably on a commercial basis and be able to raise funds from the capital market without a government guarantee.

Such enterprises are expected to use private sector procedures in the running of their businesses.

In both full and partial commercialisation, no divestment of the federal government's share-holding will be involved and subject to the general regulatory powers of the federal government, the enterprise shall:

- (i) Fix rates, prices and charges for goods produced and services rendered;
- (ii) Capitalise assets; and
- (iii) Sue and be sued in their corporate names.

The primary goal of privatisation and commercialisation is to make the public sector the programme leading engine of growth in the Nigerian economy. The government intends to use the privatisation programme to re-integrate Nigeria back into the global economy, as a platform to attract foreign direct investment in an open, fair and transparent manner

1. **Full Privatisation:** Among the 72 parastatals slated for privatisation are: the Federal Airport Authority of Nigeria; Nigeria Airways Ltd (Aviation), Nigerian Hotels Ltd and Festac 77 Hotels Ltd (Commerce and Tourism), Nigerian Telecommunication Ltd, Nigerian Mobile Telecommunication Ltd), NICON Insurance Ltd, Afribank Nigeria Ltd, FSB International Bank PLC, Assurance Bank Ltd (Finance), Daily Times of Nigeria PLC. New Nigerian Newspaper Ltd, Federal Radio Corporation of Nigeria (Information and Culture); National Fertilizer Company of Nigeria. Ashaka Cement PLC, Benue Cement PLC (Industries): Port Harcourt Refinery and Petrochemical Ltd (Petroleum resources); Steel Rolling Mill, Oshogbo, Jos and Katsina; Ajaokuta Steel Company Ltd. National Electric Power Authority (Power and Steel): Nigerian Mining Corporation. Nigerian Coal Corporation (Solid Minerals): NigerDock: NAHCO, (Transport); Save Sugar Company: Royal Swaziland Sugar (African Investments), and so on.
2. **Full Commercialization:** Seventeen (17) Parastatals were scheduled for commercialisation. Among them are: National parks Board; Ayip Eku Oil Palm Co. Ltd (Agriculture); Nigerian Postal Service (Communication): Tafawa Balewa Square investments Ltd (Defence); Nigeria Social Insurance Trust Fund (Employment, Labour and Productivity); Nigerian Bank for Commerce and Industry (Finance); News Agency of Nigeria: Nigerian Television Authority (Information and Culture): Nigerian National Petroleum Corporation (Petroleum Resources); Nigerian Ports Authority; Nigerian Railway Corporation (Transport): River Basin and Rural Development Authority (Water Resources). Federal Mortgage Bank; Federal Housing Authority (Works & Housing).
3. **Partial Commercialisation:** Public enterprises scheduled for partial commercialisation are: Nigerian Railway Corporation; Nigerian Airport Authority: National Electric Power Authority; Nigerian Security Printing and Minting Company Limited; All the River Basins Development Authorities: National Provident Fund; Ajaokuta Steel Company Limited: Delta Steel Company Limited, Nigerian Machine Tool Limited; Federal Housing Authority: Kainji Lake National Park; Federal Radio Corporation; Nigerian Television Authority and News Agency of Nigeria.

Self-Assessment Exercise

State the two forms by which public enterprises in Nigeria were privatised.

4.6 Appraisal of Privatised Public Enterprises between 1999 And 2011

The complete list of public enterprises sold between 1999 and 2011, those who bought them and their current operational status are as follows:

Automobile Sector

To date, 122 public enterprises have been sold. Before privatisation, 53 of them were performing while 69 were not. In the automobile sector, of all the six companies sold, only National Trucks Manufacturers Limited, Kano has become a success story. All the others like Leyland Nigeria Limited; Volkswagen Nigeria Limited; Steyr Nigeria Limited; ANAMMCO, Enugu and Peugeot Automobile Nigeria Limited are failures. While Volkswagen was shut down as a result of a dispute among shareholders and technical partners. Peugeot faces problems of low patronage and high debt profile (Eneanya, 2020).

Cement Sector

In the cement sector, all the six companies sold are performing. They are: Benue Cement Company Limited sold to Dangote Industries Limited; Cement Company of Northern Nigeria to Seacem of Norway; West African Portland Cement Company and Ashaka Cement Company sold to Blue Circle Industries Limited; Onigolo Cement, Benin Republic to Dangote Group and Calabar Cement Company Limited to Flour Mills & Holcim of Spain (Eneanya, 2020).

Steel and Aluminum Sector

In the steel and aluminium sector, there were also six sales and only one (Katsina Steel Rolling Mills bought by Dana Holdings) is performing today. The five not performing are: Delta Steel sold to Global Infrastructure Limited; Aluminium Smelting Company of Nigeria (ALSCON) to Rural Aluminium of Russia; Osogbo Steel Rolling Mills Limited to Kura Holdings Limited; Jos Steel Rolling Mills to Zuma Steel West Africa Limited and Electric Metre Company of Nigeria (EMCON) to Dantata Investments Limited (Eneanya, 2020).

Oil and Gas Sector

In the oil and gas sector, six enterprises have also been sold and they are all performing. They are: LPG Calabar Depot sold to Sahara Energy Limited, Unipetrol (now OANDO) to Ocean & Oil Nigeria Limited; African Petroleum (AP) to Sadiqu Petroleum Limited; National Oil &

Nigeria Limited; African Petroleum (AP) to Sadiq Petroleum Limited; National Oil & Chemical Marketing Company PLC (Now Con Oil) to Conpetrol Nigeria Limited; West African Refinery Company Limited Sierra Leone to Majestic Oil Services Limited and Elene Petrochemicals Company Limited bought by Indorama Group of India (Eneanya, 2020).

Hotel and Tourism Sector

In the hotel and tourism sector, there are nine companies of which seven are doing well while question marks remain on the operations of Capital Hotels PLC (now Abuja Sheraton) to Hans Gremlin Limited and Central Hotel, Kano to Broadfields and NAL Assets Management. The seven performing sales are: FESTAC 77 Hotel to UAC Properties Limited, Nigeria Hotels Limited (Now Southern Sun Hotel, Ikoyi) to Beta Consortium; Abuja International Hotels (Le Meridien), now NICON Luxury Hotel to Hotels Acquisition Limited; Nigeria Hotels Limited (Caterers Court, Ikoyi, Lagos) to Reliance Estate; Nigeria Hotels Limited (Houses 8 and 9 Lease Rd, Ikoyi) to CHYZOB Enterprises; Nigeria Hotels Limited (Audit Section, Ikoyi, Lagos) to Dangote Group and NICON Hilton Hotel (now Transcorp) to Captial Leisure and Hospitality Limited (Eneanya, 2020).

Banking and Insurance Sub-Sector

In the banking and insurance sub-sector, seven companies have been sold, three of which are doing well with International Merchant Bank liquidated while the jury is still out on Afribank. NICON Insurance PLC and Nigeria Reinsurance have issues of 'mass staff exodus arising from poor conditions of service and pension matters'. The three performing sales are: FSB International Bank PLC as well as Assurance Bank PLC and NAL Merchant Bank PLC (now Sterling Bank PLC) (Eneanya, 2020).

Sugar Sub-Sector

In the sugar sub-sector, all the companies sold have not been doing well. They are: Savannah Sugar sold to Dangote Group; Nigeria Sugar Company, Bacita to Josephdam & Sons; Lafiagi Sugar to BUA Group, and Sunti Sugar to Dewo Integrated Farms Limited (Eneanya, 2020).

Solid Minerals and Mining Sector

In the solid minerals and mining sector, there were 14 concessions. Even outright sales of these 21 companies, only seven are doing well today. They are: Suleja Quarry, EPL 17222, 17224, 17227 (Gold, Bukuyum LG) Zamfara; Kuru Quarry; ASEPL 202 AND 203 (Lead Zinc. Barytes, Copper, salt), Ogoja. The Ogboyega I and 2 (Steel and aluminium) concessioner to Western Metal Products; Nigerian Feldspar/Quartz; EPL 13212 (Talc, Gold, Cassiterite), Atakumosa, Oyo state: Igun District (ML 20501) to Living Spring Minerals Promotion: Gold Magami, Shiroro Lg

Niger 301 and 302 also to Western Metal Products are currently not operational. Meanwhile, EPL 140 (God Waya, Yauri, Kebbi); NTAMP 1, Guum, Jos; NTAMP 2 Rafin Jaki Bauchi, and NTAMP 3, Banki, Kaduna, all sold to Equator Mines Limited are not performing (Eneanya, 2020).

Paper and Packaging Sub-Sector

In the paper and packaging subsector, there were two sales, two guided liquidations, and two concessions. Of the six, only one, Jebba paper mill, is doing well. Neither the Central Packaging Limited nor the Daily Times sold to Millennium Automation Limited and Folio Communications respectively is performing. The Nigeria Newsprint Manufacturing Company, Oku Iboku with Negris Holdings, Tafawa Balewa Square concessioned to BHS International and Lagos International Trade Fair concessioned to AULIC Nigeria Limited are also not doing well. On seaports and terminals, there were two sales and 24 concessions. Whereas the NPA Quarters in Lagos sold to Labana Global Ventures Limited is doing well, the National Clearing and Forwarding Agency to Jorotom International Agency (Nigeria) Limited is not (Eneanya, 2020).

Ports and Terminals

Of the 24 concessioned ports and terminals, 18 are doing well while six are not. The performing ones are: Apapa Terminal and Lilypond Inland Container Terminal to AP Moller Finance SA; Apapa Terminals A and B to Flour Mills of Nigeria PLC; Apapa Terminals C and D to ENL Consortium Limited, and Apapa Terminal E to Dangote Industries Limited. There are also Tin Can Terminal B to Tin Can Island Container Terminal Limited; Tin Can Island Terminal C to Sifax Nigeria Limited; Tin Can Island (Roro Terminal) to Comet Shipping Agency Nigeria Limited; Onne FLT and FOT A; Calabar New Terminal A as well as Warri New Terminal all to Intels Nigeria Limited; Warri Canal Berth Terminal to Julius Berger PLC; Calabar Old Terminal to Addax Logistics Limited and Calabar New Terminal B to Ecomarine Consortium Services. The Six not doing well are: Port Harcourt Terminal A concessioned to Ports and Terminal Operators Limited; Port Harcourt Terminal B to BUA International Limited; Tin Island Port A to Joseph Dam & Sons Limited; Warri Old Terminal A to Intels Nigeria Limited; Warri Old Terminal B to Associated Marine Services and Koko Port to Gulfainer Bel Consortium (Eneanya, 2020).

Agricultural Sector

There were five agric. companies four of which are doing well while Ayip Eku Oil Palm sold to Wing Song M-House Industries Palm Investment Limited is not. The Federal Superphospahte Fertiliser Company, Kaduna sold to Hekio Consortium: the Ore-Irele Oil Palm Limited to CPL Agric Limited; Ihechiowa Oil Palm Limited to Omen International Limited and NAFCON to O'Secul Nigeria Limited are doing well (Eneanya, 2020).

Aviation Sector

In the aviation sector, both SAHCOL bought by Skyway Aviation Handling Company and NAHCO sold through public offers are doing well (Eneanya, 2020).

Block-Making Sector

Six block-making companies were also sold with three doing well. They are Ikorodu Bricks to Continental Bricks Project Supplies Limited; Ibadan to Real Stones Nigeria Limited; Kaduna Bricks to Rahman Brothers Limited. The poor ones are: Enugu Bricks sold to Siljay Concepts Limited; Kano Bricks to Associated Partners Nigeria Limited and Izom Bricks to Continental Project Supplies Limited (Eneanya, 2020).

Energy Sector

The Energy Companies sold were 12 in number with Nigerdock Nigeria Limited sold to Global Energy Limited and Nigeria Machine Tools to Bronwen Nigeria Limited which were not doing well. Performing ones are: Baker Nigeria Limited, Lot I sold to Bayer Hughes Nigeria Limited; Baroids Drilling Chemical Products Nigeria Limited to Sapid Agencies Limited; Baroids Nigeria Limited, Lot I to Halliburton Operations Nigeria Limited; Dowell Schlumberger Lot I to Bussdor and Company Limited; Dowell Schlumberger Lot I to Bussdor and Company Limited; M-1 Nigeria Limited, Lot I to AP Olfiled Services Limited; Schlumberger Testing & Production Services Limited to Amazon Energy/Sigmat Consortium; Sodeo Forex Nigeria Limited sold to Rosehill Group Limited; Solhs Shall Nigeria Limited I sold to Lohan Consultants; Stallion House, V/I, Lagos, (Eneanya, 2020)



4.7 Summary

Privatization means government selling part or whole shares owned by it in a Public Enterprises to individuals or institutions. Commercialization, on the other hand, refocuses a Public Enterprises for profit making. In Nigeria, a significant numbers of public companies have been sold between 1999 and 2007 by BPE. The questions that bothers observers are: What has the federal government done with the proceeds of privatization? From the scorecard of the privatization exercise, has it succeeded or failed? The answer to these two questions is still open to debate among Nigerians. The truth is that privatization has not achieved its objectives.



4.8 References/Further Reading

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4.9 Possible Answers to Self-Assessment Exercise(s)

Answer to SAE

The two majors by which public enterprises in Nigeria were privatized are:

Outright sale: This was adopted when the enterprises involved were slated for full privatisation. What the committee did in this situation was to do a detailed assessment of the enterprises and therefore, determine their net worth. The price for the enterprises would be made public and sold to persons who meet the financial demands of the committee

Selling of shares to the public: The TCPC would go into negotiations with the financial houses for the determination and issuing of shares for the public to buy. This is done also in full commercialisation and partial privatisation so as to ensure that as many people as possible may have shares in the enterprises to ensure even distribution.

MODULE 5 CONTEXT OF CIVIL SERVICE IN PUBLIC ENTERPRISES

Unit 1	Definition and Principles of Civil Service
Unit 2	Features and Functions of Civil Service
Unit 3	Evolution and Structure of Nigerian Civil Service
Unit 4	Appointment in the Nigerian Civil Service
Unit 5	Reforms in the Nigerian Civil Service

UNIT 1 DEFINITION AND PRINCIPLES OF CIVIL SERVICES

Unit Structure

- 1.1 Introduction
- 1.2 Learning Outcomes
- 1.3 Definition and Meaning of Civil Service
- 1.4 Principles of Civil Service
- 1.5 Summary
- 1.6 References/Further Reading
- 1.7 Possible Answers to Self-Assessment Exercise(s)



1.1 Introduction

In the last section, you have an idea about what budgetary control in an organisation is all about. In this unit, you will take a step further into the definition and principles of civil services. The focus here will be on the civil service. 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.



1.2 Learning Outcomes

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

- define and state what a civil service is
- discuss the salient principles guiding the civil service especially in Nigeria.



1.3 Definition 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 civil service and 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).

1.4 Meaning of Civil Service

The civil service is the administrative structure employed in civil capacity to fulfil 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 "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 are directly responsible to the political heads of departments. The lower clerical staff help the administrative staff and work under its direct supervision and control. The state reaches the citizens through the civil servants who are the well-trained, skilled and permanent body of professional class of officials, and who have taken government service as a career (Ekhaton, 2003: 254).

1.5 The Principles of the Civil Service

The civil service is guided by the following principles:

(a) 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 the 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 career officers. Civil servants as far as possible, are anonymous, and should not be seen as craving publicity.

(b) 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 to give his best to make government policies succeed irrespective of his personal feelings towards such policies or government.

(c) Impartiality

Civil servants are paid from tax payers' money which does not belong to anybody or a 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 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.

- (d) **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 Exercise 1

State the principles of civil service mentioned in this unit.



1.6 Summary

Civil service basically refers to the body of permanent officials appointed to assist the political executive in formulating and implementing governmental policies. It also refers to the ministries and departments within which specific aspects of government are carried out. Civil servants are mainly of two categories: lower clerical staff and higher administrative staff. The higher administrative staff are directly responsible to the political heads of departments while the lower clerical staff help the administrative staff. The civil service is guided by the principles of anonymity, permanence, neutrality and impartiality.



1.7 References/Further Reading

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1.8 Possible Answer to Self-Assessment Exercise

Answer to SAE

Principles of civil service are:

- i. Anonymity
- ii. Neutrality
- iii. Impartiality
- iv. Permanence

UNIT 2 FEATURES AND FUNCTIONS OF CIVIL SERVICE

Unit Structure

- 2.1 Introduction
- 2.2 Learning Outcomes
- 2.3 Features of Civil Service
- 2.4 Functions of Civil Service
- 2.5 Summary
- 2.6 References/Further Reading
- 2.7 Possible Answers to Self-Assessment Exercise(s)



2.1 Introduction

In the last unit, you were acquainted with the meaning of civil service as well as its principles. This unit will take you a step further into the concept of civil service. We shall be examining the features and functions of the civil service. The civil service has features and functions. Both of them are discussed in this unit for your understanding.



2.2 Learning Outcomes

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

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



2.3 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:

a. 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 a 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.

b. 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.

c. 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.

d. 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 the selection of civil servants is given to the civil service commission. In Nigeria, the Federal Civil Service Commission and the state civil service commissions are responsible for the recruitment of federal and state civil servants.

e. 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. Public service is a career to which 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.

f. Political neutrality

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

g. 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, public servants should serve all members of the public to the very best of their ability. They should act with maximum fairness toward all members of society. There should be no discrimination of any kind.

h. 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.

i. 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, and good performance in the qualifying examination and interviews. Above all, promotion within the system is based on seniority, efficiency and experience.

j. Established procedures of work

In a developed civil service system, well-established procedures are 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 Exercise 1

How many features of civil service are mentioned in this unit? List any five.

2.4 Functions of Civil Service

The functions of the civil service may be discussed under the following main heads. These are as follows:

- (a) **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 is 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.
- (b) **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 books.
- (c) **Policy formulation:** The civil servants advise their political head, the minister, on a wide range of policy matters. Thus, civil servants play crucial roles in policy formulation.
- (d) **Drafting bills:** Top civil servants aid their political bosses to draft bills or prepare legislative proposals. This is a usual practice in a parliamentary democracy.
- (e) **Policy implementation:** Once a minister has decided on what to do, it is the responsibility of the civil servants to carry out such decisions.
- (f) **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 the income and expenditure of the government. The various financial statements from the various ministries are integrated into one document known as the budget.

- (g) **Law making:** Besides bill drafting, the civil servants now make minor laws known as delegated legislation.
- (h) **Negotiation with outside groups:** Civil servants discuss, bargain or negotiate with interest groups, other governments and international organisations on behalf of their own government.
- (i) **Quasi-judicial function:** In recent times, civil servants protect 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.
- (j) **Production** Another important function of the civil service is production. Goods produced may be tangible goods like kilograms of rice and kilometres 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 standards 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.
- (k) **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 and M (Ekhaton, 2003: 257- 2458).

Self-Assessment Exercise 2

Discuss any five (5) functions of the civil service.



2.5 Summary

The civil service represents the visible aspect of government as it is saddled with the sole responsibilities of executing government policies, programs and plans. As a recap, the civil performs functions such as offering advice to political heads, planning programs, preparing budgets, partaking in policy formulation, drafting bills, etc. the salient features of the civil service include permanence, neutrality, impartiality, anonymity, professionalism, etc. The evolution of civil service shall be discussed next.



2.6 References/Further Reading

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2.7 Possible Answers to Self-Assessment Exercise(s) within the content

Answer to SAE 1

Principles of civil service are:

- i. Anonymity
- ii. Neutrality
- iii. Impartiality
- iv. Permanence
- v. Meritocracy
- vi. Legal basis

Answer to SAE 2

The functions of the civil service are as follows:

- 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 is the reservoir of information and wisdom regarding the subject matters which they administer.
- ii. **Programme planning:** the civil service do this by assisting the political chief executive.
- iii. **Policy formulation:** The civil servants advise their political head, the minister, on a wide range of policy matters. Thus, civil servants play crucial roles in policy formulation.
- iv. **Drafting bills:** Top civil servants aid their political bosses to draft bills or 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 the income and expenditure of the government. The various financial statements from the various ministries are integrated into one document known as the budget.

UNIT 3 EVOLUTION AND STRUCTURE OF THE CIVIL SERVICE IN NIGERIA

Unit Structure

- 3.1 Introduction
- 3.2 Learning Outcomes
- 3.3 The Evolution of Civil Service in Nigeria
- 3.4 The Structure of Nigerian Civil Service
- 3.5 Summary
- 3.6 Tutor-Marked Assignment
- 3.7 References/Further Readings
- 3.8 Possible Answers to Self-Assessment Exercise(s)



3.1 Introduction

In the last unit, you were introduced to the features and functions of the civil service. This unit will take you a step further into the evolution and structure of the civil service in Nigeria. The focus here is on the evolution of civil service in Nigeria. Nigeria was colonised by Britain and the civil service in Nigeria was modelled after that of Britain. The evolution of the civil service in Nigeria started in colonial period and has undergone many processes. You are being treated to these processes to enable you know how the civil service had evolved over the years.



3.2 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.



3.3 The Evolution of Nigerian Civil Service

In tracing the emergence and growth of the civil service in Nigeria, Nwosu (1977), starting from 1900 when Britain formally established her authority in most of the areas that have now become Nigeria. The British divided the country into three protectorates for administrative purposes. They were the Colony of Lagos, 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 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. The indirect rule in the north was fairly easy since the emirs were already fully in-charge before the advent of colonialism. They had almost unquestionable 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 altogether. With the exception of a few areas, where established traditional authorities were already in existence, the diffused authority system which was described as segmentary or fragmented (Ubikeze & 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 Chiefs 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 Rigg'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 overlapping. The new patterns thrive best at the centre in the higher levels of society; the alder patterns persist most vigorously at the periphery, in the rural hinterlands and in the lower levels of society, but the mixture is everywhere present and produces new forms of characteristics of neither the western nor the traditional institutional systems."

During 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. 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 the living possibility of further orderly advance - a system within which the diverse elements may progress at varying speeds amicably and smoothly toward a more closely integrated economic, social and political unity without sacrificing the principles and ideals inherent in their divergent ways of life (Obikeze & Obi, 2004: 142-145).

Self-Assessment Exercise 1

Give a brief narration of the evolution of civil service in Nigeria.

3.4 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:

- (a) **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.

- (b) **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 the construction of roads, and houses, run hospitals, engage in agriculture, etc.
- (c) **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.
- (d) **Clerical class:** This class is made up of a large number of subordinate staff who perform supportive functions to the government.
- (e) **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 Exercise 2

List any five main classes of civil servants.



3.5 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 to know its evolutionary process.



3.6 References/Further Reading

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3.7 Possible Answers to Self-Assessment Exercise(s)

Answer to SAE

Five main classes of civil servants exist today in Nigeria, they are the administrative class, the professional class, the executive class, the clerical class, and the manipulative class.

UNIT 4 APPOINTMENT TO THE PUBLIC SERVICE

Unit Structure

- 4.1 Introduction
- 4.2 Learning Outcomes
- 4.3 Authorities for Appointment
- 4.4 Recruitment
- 4.5 Rules for Appointment on Probation and Contract
- 4.6 Transfers and Secondments
- 4.7 Acting Appointment
- 4.8 Summary
- 4.9 References and Further Reading
- 4.10 Possible Answers to Self-Assessment Exercise(s)



4.1 Introduction

In the last section, you have an idea about what the evolution and structure of the civil service in Nigeria is all about. This unit will take you a step further into the appointment to the public service in Nigeria. The focus here is on the appointment to the public service in Nigeria. A major function of the personnel division is to ensure that an organization is staffed with highly qualified and experienced staff. Appointment of employees to the Public Service has certain guidelines that must be adhered to. Any person that is not duly employed can be weeded out at any time the error is discovered. Apart from the newly employed staff, rules are also available for a probation period, for officers, Conditions for transfers and secondments and acting appointments are also spelt out in this unit. This unit cannot reproduce all the public service rules but concentrates on those rules that are common to public service organizations in Nigeria



4.2 Learning Outcomes

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

- list the authorities responsible for appointment in the Public Service
- enumerate the rules for appointments on probation and contract
- differentiate between transfer and secondment
- explain the rules guiding acting appointment.



4.3 Authorities for Appointment

Appointments to public offices in the Federal Civil Service are made on the authority of the Federal Civil Service Commission. These appointments are made either:

- (a) By letter written under the direction of the Federal Civil Service Commission; or
- (b) By formal agreement between the officer and the Federal Government or its appointed agents. Subject to Rules 020205, 020206 and 020207- Permanent Secretaries/Heads of Extra-Ministerial Offices have the power of appointment which has been delegated to them.
 - (i) The Federal Civil Service Commission shall make appointments to posts graded GL.12 -17. Such appointment shall be made as the need arises for the available vacancies after an advertisement. Officers intending to transfer their services shall take part in the annual Public Service Examinations for posts GL 07-10.
 - (ii) Subject to modalities to be prescribed by the Federal Civil Service Examinations from time to time, each Ministry/Extra-Ministerial Office shall select from the pool of successful candidates at the Civil Service Examination prescribed in Rule 020102.
 - (iii) There shall be an annual competitive Civil Service Entry Examination for posts graded GL. 07-10 for new entrants and serving officers wishing to transfer from other scheduled services. This examination shall be conducted by the Federal Civil Service Commission in conjunction with the Office of the Head of Civil Service of the Federation, Administrative Staff College of Nigeria and the Public Service Institute of Nigeria.
 - (iv) To qualify for this examination, candidates must possess an Honours Degree or Higher National Diploma not below upper credit in relevant disciplines as provided for in the Schemes of Service. Final selection shall be made by the line Ministries/Extra-Ministrial Offices in line with their requirements.
 - (a) Each ministry/Extra-Ministrial Office shall appoint Junior Staff on GL. 06 and below. This shall be handled by the Junior Staff Committee of each Ministry/Office, with a representative of the Federal Civil Service Commission and the Head of the Civil Service of the Federation at any meeting of the

- Committee, subject to the approval of the Permanent Secretary/Head of Extra-Ministerial Office.
- (b) Appointment in the Federal Ministries/Extra-Ministerial Offices in the State shall be from the residents of that state who possesses the qualifications prescribed in the approved Scheme of Service.
 - (c) Each ministry/Extra-Ministerial Office shall work out the actual establishment or requirements for each State Office. The Junior Staff Committee (Local) shall conduct the interview to appoint the officers subject to the approval of the Permanent Secretary/Head of Extra-Ministerial offices.
 - (d) Promotions to all posts in the Federal Public Service other than those of Permanent Secretaries are vested in the Federal Civil Service Commission, which, has, however, authorised Permanent Secretaries/Head of Extra-Ministerial Offices to promote eligible candidates to posts in respect of which the powers of appointment have been delegated.
 - (e) Seniority in any department shall be determined by the entry date/the assumption of duty certified by an authorised officer as reflected in the appropriate register.
 - (f) Date of birth recorded on appointment by an officer shall not be changed throughout the career of the officer. Any contravention shall be regarded as an act of serious misconduct.

4.4 Recruitment

020201 - “Recruitment” means the filling of vacancies by the appointment of persons not already in the Public Service of the Federal Republic of Nigeria. It, however, excludes the transfer of officers from other Public services in the Federal Public Service.

020202 - Direct appointment to the Federal Public Service may be in any of the following categories:

- (a) As trainees or pupils;
- (b) On probation in a pensionable post;
- (c) On non-pensionable contract to a non-pensionable post, or against a pensionable post for a specified period; and
- (d) On a temporary basis other than (c)

- (e) When posts prove difficult to fill, they shall normally be advertised.

020204 - Except where the Federal Civil Service Commission decides otherwise, all first appointments to the pensionable establishment in posts other than trainee post (see Rule

020203) will be on probation. An officer confirmed in a lower pensionable office will not however be regarded as on probation in a higher post to which he/she is promoted nor will an officer seconded or transferred as a confirmed officer from pensionable service elsewhere.

020205 - To be eligible for appointment into the Federal Public Service, every applicant must:

- (a) Not be less than 18 years and not more than 50 years of age;
- (b) Posses such minimum qualification as may be specified from time to time including computer literacy;
- (c) Be certified by an authorized Health Care Provider as medically fit for Government Service;
- (d) Possess a testimonial of good conduct from the last employer or if not previously employed, from the last school or college attended;
- (e) Possess requisite qualifications as provided for in the Scheme of Service; and
- (f) No officer shall be appointed into the Federal Public Service without authorization for appointment from the Office of the Head of the Civil Service of the Federal and Supervisory Boards in the case of Parastatals.

020206 - No candidates shall be appointed to any post in the Federal Public Service without the prior specific approval of the Federal Civil Service Commission if:

- (i) The candidate has been convicted of a criminal offence; or
- (ii) He/she has previously been employed in Government Service and been dismissed or called upon to resign or retire therefrom. Such approval must always be obtained irrespective of any delegation of the Commission's power.

020209 - It is the duty of every Permanent Secretary/Head of Extra Ministerial Office to ensure that all officers/staff in his Ministry/Extra - Ministerial Office sign an Oath of Secrecy Form I and that the Oath so signed is carefully preserved.

020210 - No Public Officer shall become a member of any Secret Society. Any Public Officer who is a member of such Society shall renounce his

membership forthwith by making a Statutory Declaration to that effect, resign his appointment, or retire from the service.

020211 - Contravention of Rule 020210 shall be regarded as an act of serious misconduct and shall attract appropriate disciplinary action which may include dismissal from service.

Self-Assessment Exercise 1

- i. List the Authorities for appointment in the Federal Public Service.
- ii. Which organ is responsible for the promotion to all posts in the Federal Public Service except those of Permanent Secretaries?
- iii. What is the current rule about the date of birth?

4.5 Rules for Appointment on Probation and Contract

020301 - Officers on probation will be required to serve for two years before being confirmed in the service. This period may however be reduced to not less than six months by deduction of any previous period of Public Service rendered satisfactorily in posts of cognate status involving similar duties. The period of probation shall not exceed two years unless an extension may result in the increment penalty referred to in Rule 040206 if the Commission so decides.

0202303 - To be eligible for confirmation in the Permanent Establishment, an officer appointed on probation is required to pass the prescribed examination, if any, during his probationary period and to complete his probationary period to the satisfaction of the authority empowered to appoint him. At the end of the period of probation, the officer will, unless his probationary appointment is terminated or extended, be confirmed in his appointment.

4.6 Rules for Appointment on Contract

020401 - A contract appointment is a temporary appointment (which does not provide for the payment of a pension) to a post of the level to which an appointment is made by the Federal Civil Service Commission for a specific period as opposed to an appointment on pensionable terms and temporary employment. The contract appointment must be recorded in a formal document of agreement.

020402 - (a) The Conditions of Service of a Contract Officer are those provided for his/her contract and the privileges, emoluments or allowances described in these Rules do not apply to him/her unless they are specifically so stated in the contract itself. Any question of the interpretation of a contract affecting his/her Conditions of Service should be referred to the Office of the Head of the Civil Service of the Federal.

- (b) (i) Contract appointments may be offered to expatriates only when suitable Nigerians are not available. Nigerians may be appointed on contract terms if:
 - (a) They are pensioners;
 - (b) They are 50 years of age or over at the time they are being appointed;
 - (c) They specifically request to be employed on contract terms and it is
 - (d) The candidate possesses specialised competencies or skills and provided such posts are duly advertised in at least three national newspapers.
- (ii) For non-Nigerians, the provisions of the Public Service Rules regarding appointments shall apply in all cases, except for those persons married to Nigerians.
- (iii) Spouses married to Nigerians should remain on contract until granted Nigerian citizenship before being considered for appointment.

4.6 Transfer and Secondments

020501 -Transfer is the permanent release of an officer from one scheduled service to another or from one class to another within the same service.

Secondment means the temporary release of an officer to the service of another Government, approved body or any recognised International Organisation or body for a specified period.

020502 - Inter-Service Transfer/Secondment: The following procedures shall apply in processing Inter-Service Transfer and Secondment:

- (i) Applications for Transfer/Secondment to posts graded GL 06 and below shall be determined by the Ministry/Extra-Ministerial Office of the applicant's choice.
- (ii) That applicant for Transfer/Secondment to posts graded GL 07 - 10 in any Ministry/Extra-Ministerial Office shall be determined by the Federal Civil Service Commission. Since GL 07 - 10 is an entry point, Officers seeking transfer from scheduled establishments are required to sit for the Annual Competitive Civil Service Entry Examination.
- (iii) Confidential reports covering the last three years (or whole service if less than three years) of the officer's service shall be furnished.
- (iv) Secondment of an officer to the service of another Government, Approved Body or recognised International Organisation at his own request shall be for a maximum period of two years in the first

instance after which the officer must apply for an extension, seek for transfer or return to his former post. All extensions must be approved by the appropriate Committees and the Federal Civil Service commission.

The total period of such secondment must not exceed four (4) years.

020503 - (a) Senior Posts: Transfers from one senior post to another or from one class to another within the Federal Public Service require the prior approval of the Federal Civil Service Commission. An officer must have served for a minimum period of 6 months in his original Department before seeking transfer to another Department. An application for such transfer must be submitted to the Permanent Secretary/Head of Extra-Ministerial Office of the applicant and must state the application's reasons for desiring a transfer and his qualifications for the work to be undertaken. Such applications should be forwarded to the Federal Civil Service Commission by the Permanent Secretary/Head of Extra-Ministerial Office together with a statement as to:

- (i) How the applicant has performed his/her duties;
 - (ii) Whether the applicant is considered to be well qualified for the post desired; and
 - (iii) Recommendations as to the grant or refusal of the application.
- (b) **Junior Posts:** Transfers from one junior post to another within the Federal Public Service or from one Department to another may be arranged, with the consent of the officers being considered for transfer, at the mutual discretion of their Permanent Secretaries/Head of Extra-Ministerial Offices.

4.7 Acting Appointment

When it is necessary that a particular duty post (of status not lower than Senior Clerical officer) should continue to be filled at a time when no officer of corresponding substantive rank is available for posting thereto, some other officers may, with the approval of the Federal Civil Service Commission; be formally appointed, by notice in the Gazette, to act in the duty post and assume either fully or in part, the duties and responsibilities thereof. The mere fact that the substantive holder of a duty post will be absent therefore for a short period (e.g. on casual leave or on sick leave) does not in itself justify an acting appointment; there may however be circumstances, (such as compliance with statutory provisions) which necessitate the making of an acting appointment for a relatively brief period. The decision of whether an acting appointment is necessary or desirable in any particular case will rest with the Federal Civil Service Commission.

Acting appointments are not intended as a means of testing the suitability of officers for promotion; they will normally be made only in order to fill

posts that are temporarily vacant and their duration should be limited accordingly.

Recommendations for acting appointments must be forwarded to the Federal Civil Service Commission on general form 66 and must include thereon a certificate to the effect that the acting officer will assume the full duties and responsibilities of the post in question. Approved acting appointment will be gazetted by the Federal civil Service Commission but it will on no account be backdated to a period in excess of six months from the date of receipt of the recommendation by the commission.



4.8 Summary

This unit explains public service rules on authorities for appointment, recruitment, probation, contract, transfers, secondments and acting appointments. The Federal Civil Service Commission is responsible for appointments. This power of the Federal Civil Service Commission is often delegated to permanent secretaries and heads of extra-ministerial officers. The term recruitment in the Nigerian public service means filling vacancies by the appointment of persons not already in the Public Service. A Public Servant must be conversant with the rules guiding his/her employment in the Public Sector Organisation he/she works in. Such knowledge enables the officer to know what to expect and how to conduct him/her appropriately. Apart from personal advantage, a Public Officer should be able to explain Public Services Rules guiding, appointments, transfers and secondments to all who desire such information. A person is on probation until his/her appointment is confirmed. Public servants can be transferred or seconded to another organisation, and public or private employees on a lower scale can act in a higher capacity.



4.9 References/ Further Readings

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4.10 Possible Answers to Self-Assessment Exercise(s)

- i. List the Authorities for appointment in the Federal Public Service.
- ii. Which organ is responsible for the promotion to all posts in the Federal Public Service except those of Permanent Secretaries?
- iii. What is the current rule about the date of birth?

Answer to SAE 1

Appointments to public offices in the Federal Civil Service are made on the authority of the Federal Civil Service Commission. These appointments are made either:

- (a) By letter written under the direction of the Federal Civil Service Commission; or
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 - (i) The Federal Civil Service Commission shall make appointments to posts graded GL.12 -17.
 - (ii) Each ministry/extra-ministrial office shall appoint junior staff on GL. 06 and below. This shall be handled by the Junior Staff Committee of each ministry/office, with a representative of the Federal Civil Service Commission and the Head of the Civil Service of the Federation at any meeting of the Committee, subject to the approval of the permanent secretary/head of extra-ministerial office.

UNIT 5 REFORMS IN THE CIVIL SERVICE

Unit Structure

- 5.1 Introduction
- 5.2 Learning Outcomes
- 5.3 The Udoji Commission
- 5.4 The 1988 Civil Service Reforms
- 5.5 The 1994 Review Panel on Civil Service Reforms (Ayida Panel)
- 5.6 Summary
- 5.7 References and Further Reading
- 5.8 Possible Answers to Self-Assessment Exercise(s)



5.1 Introduction

In the last section, you were introduced to appointment practices in the public service in Nigeria. This unit will take you into prominent reforms in the civil service. The unit will focus on the Udoji Commission of 1972, the 1988 Civil Service Reforms and the 1994 review panel popularly known as Ayida Panel. Major submissions of other panels will as well be discussed.



5.2 Learning Outcomes

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

- state major submissions of the Udoji Commission
- give major submissions of the 1988 Civil Service Reforms
- discuss the major submissions of the Ayida Panel.



5.3 The Udoji Commission of 1972

The Udoji Commission was set up in September 1972 to carry out a comprehensive review of the nation's public service. The commission was mandated to:

- (i) Examine the organisation and structure of the public service.
- (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 sectors;

- (iv) Make recommendations that would facilitate inter-sectoral mobility, without detriment to the retention of efficient and qualified personnel in the public services; and
- (v) To establish appropriate salary scales for all positions/posts in public services.

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, and salary grading. Every sector of the public services, the 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 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
- viii. That personnel management practice be modernised. (Obikeze & Obi; 2004:153)

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 ministries 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.

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.

Self-Assessment Exercise 1

How did the Udoji Commission contribute to the development-oriented programmes in the public service?

5.4 The 1988 Civil Service Reforms

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. 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; little emphasis on results and concrete performance; excessive focus on compliance with regulations, forms and procedures; 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; and increasingly patent inability to cope effectively with the challenges of modern, complex and development hungry society.

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 unmistakable 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. In order to achieve the above aims the, reforms emphasised four main elements. These were;

- 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 re-designating 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:

- i. 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;
- ii. Staff nomenclatures have been changed to reflect areas of specialization, profession or basic function;
- iii. 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;
- v. Each staff is now to spend his entire career in his ministry or extra, ministerial department;
- vi. 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;
- vii. Performance evaluation schemes at institutional and individual levels are being revamped to reflect an overriding emphasis on concrete performance and accord less weighty than hitherto to politics, seniority and subjective factors
- viii. Much greater decentralisation is being introduced in personnel, finance and operational matters (Philips 1988) (Obikez and Obi 2004: 155-157)

The reform package despite its lofty look failed almost completely in achieving its aims because of deep-rooted corruption in the civil service,

politicisation of the appointment of Director-Generals, faulty assumptions arising from lack of appropriate managerial and professional skills, absence of organisational machinery 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.

Self-Assessment Exercise 2

List four major submissions of the 1988 civil service reforms.

5.5 The 1994 Review Panel on Civil Service Reforms (Ayida Panel)

The 1994 Review Panel on civil service reform which was referred to as the Ayida Panel was 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 an upward review of pay and other incentives for civil servants.

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.

5.6 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.

- 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. The 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. The government accepted the recommendation that the post of permanent secretary should be a career post. Appointments will be made 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. The 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 the government accepted the recommendation for the appointment of the Head of Civil Service it rejected the recommendation of 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 the 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, obtaining funds through the Presidency. Apart from the three agencies approved for scrapping above, the government approved that 12 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.
- x. 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.
- xi. 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.
- xii. 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.
- xiii. 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.
- xiv. 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.

- xv. 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.
- xvi. 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 Service College at Abuja should be given priority attention.
- xviii. 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.
- xix. Retirement age in the civil service should be 60 years irrespective of the length of service.
- xx. Government accepted the recommendation that there should be no retirement of any civil servant without following all laid-down procedures. This is to prevent the indiscriminate and arbitrary retirement of civil servants. 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.
- xxii. 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 of Chairman, as the case may be for approval.
- xxiii. Powers to approve expenditure should be devolved down to G.L. 14 officers and heads of out-stations.
- xxiv. Government approved that tenders procedures should be followed strictly in the award of contracts (Adebay, 2000:217-8).

Self-Assessment Exercise 3

Why was Ayida Panel set up?



5.6 Summary

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 thing to ensure that the prescription is 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 at the state and federal levels to maintain and uphold an enlightened and honest public service. Irrespective of the different orientations 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 had always been to make the civil services 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 the 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 creating jobs for retired bureaucrats and political cronies of the governments that initiated such reforms.



5.7 References/Further Reading

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5.8 Possible Answers to Self-Assessment Exercise(s)

Answer to SAE 1

How did the Udoji Commission contribute to the development-oriented programmes in the public service?

The Udoji Commission in its pursuit of a development-oriented public service recommended the adoption of modern management techniques like

- i. the Planning, Programming, Budgeting Systems (PPBS), Management by Objectives (MBO) and project management in the Nigerian Civil Service.
- ii. 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 100 to just 17.
- iii. the opening of the post of chief executive of the ministry referred to as permanent secretary, to both administrative and professional/specialist staff;
- iv. the harmonisation and unification of job grading and salary system throughout the service;
- v. the introduction of a new code of conduct for all public officers.

Answer to SAE 2

List four major submissions of the 1988 civil service reforms.

Four major submissions of the 1988 reforms:

- i. Change of staff structure in the civil service to 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;
- ii. Staff nomenclatures have been changed to reflect areas of specialisation, profession or basic function;
- iii. The central pooling and central deployment of staff have been discontinued;

- iv. Each staff is now to spend his entire career in his ministry or extra, ministerial department;
- v. 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;
- vi. Performance evaluation schemes at institutional and individual levels are being revamped to reflect an overriding emphasis on concrete performance and accord less weighty than hitherto to politics, seniority and subjective factors.