NATIONAL OPEN UNIVERSITY OF NIGERIA

FACULTY OF MANAGEMENT SCIENCES

# COURSE CODE: PAD 810

# COURSE TITLE: PUBLIC POLICY ANALYSIS


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## Introduction

Policy Analysis and Implementation is a 3 -credit unit course consisting of 20 units. It is one-semester course for students offering M.Sc Public Administration. Each unit is to he covered in 2 hours and it is a core course.

## Course Contents

The course has 5 module and 20 units. Characteristics, (3units) Methods and Approaches in Policy Analysis (3 units) Theories of Policy Making, (4 units), Modules of Policy Making (3 units), and Tools and Techniques in Policy Analysis with 3 units including a case study of National Industrial Policy. The citing of the case study is to enhance your understating of the gap between policy making and policy implementation in Nigeria.

## Course Aim

The aim of this curse is to enrich your knowledge on the concept of policy, its features and implementation process. Therefore, you are introduced to:

- Concepts of Public Policy and Policy Analysis
- Different methods and approaches in Policy Analysis. System elite
- Institutional and Group Theories
- Models in policy-making techniques and tools of in policy analysis.

## Course Objectives

The main objectives of this course are given in each unit. However, you will achieve the following objectives after successful completion of this course.

1. Know what is Public Policy and Policy Analysis.
2. Understand models, theories approaches tools and techniques of Public Policy.
3. Appreciate problems encountered in Policy Implementation and evaluation process.

## Course Materials

The basic parts of this course are:

Course Guide
Study Units
Further Reading
Activity and Tutor Marked Assignment (TMAs)

These components are contained in each units minus the text books which are recommended fro you to get. You may also do further research in libraries and Internet to update your knowledge.

## Study Units

There are fifteen (15) units in this course. They are as follows:

Module 1 Policy Conception and Characteristics

Unit 1 The Concept and Field of Public Policy Analysis
Unit 2 The Uses and Types of Public Policies
Unit 3 The Prescriptive, Descriptive, Micro and Macro Approaches

**Module 2** Methods and Approaches in Policy Analysis

Unit1 The Perspective, Descriptive, Micro and Macro Approaches in Policy Analysis
Unit 2 The Qualitative and Quantitative Approaches
Unit 3 System and Elite Theories

Module 3 Theories of Policy Making

Unit 1 Institutional and Group Theories
Unit 2 The Rational-Comprehensive, Satisfying and Mixed Scanning Models
Unit 3 The Policy Process

**M od u l e 4 M od u l e s of P oli cy P r oc e s s**

Unit 1 Actors in Policy Analysis

Unit 2 System Analysis Cost-Benefit Analysis and Cost Effectiveness

**Module 5**

Unit 1 Management by Objectives (MBO) and Planning - Programme Budgeting System (PPBS)
Unit 2 Game Theory and Zero Base Budgeting and Decision Analysis and Decision Tree
Unit 3 Critical Path Method (CPM), Programme Evaluation and Review technique (PERT) and The Delphi Method
Unit 4 A Case Study of Industrial Policy of Nigeria

## The Modules

The units are in the following Modules

Modules 1 - Unit 1-3
Modules 2 - Unit 4 - 6
Modules 3 - Unit 7 - 9
Modules 4 - Units 10 -11
Modules 5 - Units 13 - 15

Each module comprises of relevant topics.

Module one conceptualizes policy and its characteristics. Module two analyses methods and approaches in policy analysis, while module three discusses theories of policymaking and module five explains the tools and techniques in policy analysis.

You should read the units comprehensively because Public Policy Analysis is an interesting course. You can also update your knowledge by consulting reference materials quoted in this lecture material. Supplementary reading is recommended for more knowledge. The core of the units is at 3.0 levels while conclusion, which is 4.0 helps, you to round up what you have read so far. The "summary" (5.0) gives the summary of the major matters discussed in each unit. This is to enable you remember to key issues and simplify the discussion at the end.

You will come across "Activity" at the end of some issues discussed at the 3.0 level in each unit. These "Activities" are meant to provide simple questions to enable you comprehend and refresh your memory of the things discussed before the Activity. Answers are directly provided in most cases. However, do not consult the answers until you have attempted the questions. The answers may give you more insight than you might have attempted.

## Assignments

There is a Tutor-Marked Assignment (TMA) which you are expected to do at the end of each unit and give to your facilitator.

## Assessment

Your assessments for this course are mace up of two components:

Tutor-Marked Assignment
Final Examination

You should note that the practice exercises, (or activity) are not part of your formal assessments but it is important to complete all of them. Doing the practice of the subject matter or topic and your tutormarked assignments.

### Tutor-MarkedAssignment

Each unit is this course has a TMA attached to it. You can only do the TMA after reading the materials and do exercise in each unit. Normally, the TMAs are kept in a separate file. Your facilitator will mark and comment on it. You should therefore pay attention to such feedback from your facilitator and use it to improve your other assignments.

You can write the assignment by using materials from your study units and from textbooks or other sources. However, it is preferable that as graduate students, you should demonstrate evidence of wide reading especially from texts and other sources, something to show that you have research more widely.

You must remember that copying from any source without acknowledge is plagiarism and is not acceptable. References must be properly written if you use other people's work.

The assignments are in most cases, easy questions. Examples from your own experience or environment are relevant when you answer such questions. This allows you to apply theory to real life situations.

## Summary

Policy Analysis and Implementation discuss theories, methods, models and approaches in Public Policy Analysis. A case study of National Industrial Policy is cited to further explain policy implementation process in Nigeria.

| | |
|---|---|
| Course Code | PAD 810 |
| Course Title | Policy Analysis and Implementation |

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# MODULE 1 POLICY CONCEPTION AND CHARACTERISTICS

Unit 1 The Concept and Field of Public Policy Analysis
Unit 2 The Uses and Types of Public Policies
Unit 3 The Prescriptive, Descriptive, Micro and Macro Approaches

## UNIT 1 THE CONCEPT AND FIELD OF PUBLIC POLICY ANALYSIS

**CONTENTS**

1.0 Introduction
2.0 Objectives
3.0 Main Content
  3.1 Definition of Public Policy
  3.2 The Features of Public Policy
  3.3 The Meaning of Policy Analysis
4.0 Conclusion
5.0 Summary
6.0 Tutor-Marked Assignment
7.0 References/Further Reading

## 1.0 INTRODCUTION

According to Olaniyi (1998:13) Public Policy Analysis is a field of study that has its meaning enriched by two separate terminologies - namely: "Public Policy" and Analysis. Thus, any attempt at understanding the field must first explain the two concepts separately before their integration.

## 2.0 OBJECTIVES

At the end of this unit, you should he able to:

to know the definition of Public Policy
to understand We features of Public Policy
the meaning of Policy Analysis.

## 3.0 MAIN CONTENT

### 3.1 Definition of Public Policy

A policy can refer to a proposal, of a programmed, major decision or the refusal to make certain decision. (Sharkanskv: 1978:7)

In other words, policy is simply actions taken or to be taken by government or private organisation. (Ikelegbe: 1996.1)

A policy option made by an individual is known as "private policy" because it affects the person alone and no any other person. (Olaniyi: 1998:13)

> *However, "Public Policy".*
> *Emanates from the 'public sector' including both the institutions of central and local government and state created agencies such as water or health authorities, commission and corporations- it may be implemented through and directed at a wide variety of individuals and organisations which may or may not be part of the state apparatus and which may be to a greater or lesser degree independent of state influence or control. (Barrett and Fudge: 1981.V)*

Chandlier and Plano (1988:107) defined Public Policy "as the strategic use of resources to alleviate n7.1"iorlH problems or government concerns". Similarly, Dimock, et al (1983:40) described Public Policy as deciding at anytime or place what objectives and substantive measures should be chosen in order to deal with a particular problem issue or innovation. It also includes the reasons they should be chosen.

**SELF-ASSESSMENT EXERCISE 1**

Define Public Policy.

### 3.2 The Features of Public Policy

The main features of a policy is that, first, it involves a choice. It is an important choice or a critical or important decision taken by individuals, groups or organisations. Therefore, there has to be several policy alternatives and policy formation involves the development of several policy alternatives and the choice of an alternative.

Second, polices are proposed courses of actions or projected set of decisions. Policies are prospective or are statements of future actions.

Policies states what is going to be done or would be done. It outlines a course of contemplated or desired action in relation to certain desired objects or events in the real world.

Third, a policy is goal oriented. It is directed at the attainment of certain end states or objectives. A policy has certain purposes or intention.

Fourth, policies have to do with particular problems or problems areas. They are not abstracts, but rather relate to and are actually responses to the challenges and pressures arising from an environment. Furthermore, policies are designed and targeted at dissolving existing or future problems or satisfying certain needs.

Finally, a policy is a course setting action. It provides the direction, the guide and the way to the achievement of certain goals. It provides the frame within, which present and future actions are undertaken. It is a major guideline for action. (Ikelegbe 996:2-3).

## 3.3 The Meaning of Policy Analysis

Policy analysis is defined as a set of techniques that seeks to answer the question of what the probable effect of a policy will be before they actually occur' (Shafritz 1986:409). This refers to a "before the fact" analysis of Public Policies. However, the term is also used by many to refer to both before bind after the fact analyses of Public Policies. But a Policy Analysis undertaken on a programme that is already in effect is more properly called a “programme evaluation”. (Shafritz 1985: 410). All Policy analysis involves the application of systematic research techniques most of which are borrowed in other disciplines.

Similarly, Chanlder and Plano explained Policy Analysis as:

> *An attempt to measure organizational effectiveness through an examination and evaluation of the qualitative impact of an agency program. Policy analysis is a systematic and data based alternative to intuitive judgments about the effects of policy or policy options. It is used (1) for problems assessment and monitoring, (2) as a "before the fact" decision tool, and (3) for evaluation. (Olaniyi: 1998:17).*

Furthermore, Roberts and Edwards (1991:98) argued that Policy Analysis is the study of the formation, implementation and evaluation and evaluation of public policy, the values of policy makers and environment of the policymaking system and the cost of policy alternatives.

Finally, policy analysis may be used, in a secondary usage, as a term to describe the detail examination of a particular policymaking system at any and/or all the stages of policymaking process.

**SELF-ASSESSMENT EXERCISE 2**

What is policy analysis?

## 4.0 CONCLUSION

The study of Public Policy Analysis is necessary to all public and private citizens for better understanding of government decision and programmes. Better knowledge of public policies helps in reducing.

## 5 . 0 SUMMA RY

The unit discussed the conceptualization of Public Policy and its characteristics. In addition, the meaning of policy analysis was also analysed to enhance your understanding of Public Policy Analysis.

**ANSWER TO SELF-ASSESSMENT EXERCISE 1**

Public policy can be defined as actions taken or to be taken and actions not taken or not to be taken by government.

**ANSWER TO SELF-ASSESSMENT EXERCISE 2**

Policy Analysis is a set of techniques that seeks to answer the question of what the probable effect of a policy will be before they actually occur.

## 6.0 TUTOR-MARKED ASSIGNMENT

Public Policies are more than decision-making expatiate

## 7.0 REFERENCES/FURTHER READING

Barrett, S. and Fudge C. (eds). *Policy and Action Essays on the Implementation of Public Policy*. London and New York: Methuen.

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# UNIT 2 THE USES AND TYPES OF PUBLIC POLICES

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  3.2 Types of Public Policies
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    3.2.2 Regular Polices
    3.2.3 Redistributive Polices
    3.2.4 Fundamental Polices
    3.2.5 Major Polices
    3.2.6 Functional Polices
    3.2.7 Mega Polices
    3.2.8 Meta Polices
4.0 Conclusion
5.0 Summary
6.0 Tutor-Marked Assignment
7.0 References/Further Reading

## 1.0 INTRODUCTION

Public Policy Analysis can be said to drive its importance and relevance in its contribution to the determination, study and assessment of public problems; policy making, policy performance, impact evaluation, policy prediction and advocacy, policy forecast, prediction and anticipation. (Ikelegbe: 1996:8)

Public policies have classified on the basis of several criteria. This unit discusses uses and types of public policies.

## 2.0 OBJECTIVES

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

understand uses of public policies
identify types of public policies
know distributive and Regulation policies
differentiate between redistribute and fundamental policies
explain major, functional, mega and meta policies.

## 3.0 MAIN CONTEXT

## 3.1 The Uses of Public Policy Analysis

Public policy Analysis is a systematic activity and process, which involves the determination and delineation of pertinent public problems and issues. The following are uses of Public Policy Analysis.

i. It involves the ascertaining of public problems;
ii. It is the definition of public problems in precise and perhaps quantifiable terms;
iii. Public Policy Analysis is the study of such problems and issues;
iv. It is in the monitoring of such problems through the provision of statistical and other information on the state of problems; and
v. Policy analysis provides a base for determine strategies for the resolution of public problems (lkelegbe: 1996:8)

Therefore, policy analysis is a problem solving discipline; which encompasses methods, techniques and more precisely, a scientific approach to public problem resolution. (Dye: 1978:3)

**SELF-ASSESSMENT EXERCISE 1**

Mention 3 uses of Public Policy Analysis.

## 3.2 Types of Public Policies

Theodore Lowi (1964:677) classified policies into distributive, regulatory and Redistributive on the basis of intent operating processes, issues and clientele. Similarly, McKinney and Howard, (1979:73) categorises policies in terms of their hierarchy or levels such as fundamental, major, functional policies furthermore, Dror (1973:18) identified two types of policies. All these policies are discussed in this unit for your understanding.

### 3.2.1 Distributive Policies

These are types of policies, which involve incremental dispersal, unit to different segments of the population and to individuals and institutions. They can be the actual favours, benefits or patronage policies that are dispensed to a small number of people. This dispersal is continual and those not favoured at one point, may be favoured at another time. However, the nature of distributive polices is that recipients and losers do not come into direct confrontation. Although potential beneficiaries seek required favours, they do not often oppose or interfere with favours

to others. Examples of distributive policies are those that relate to public land, tariff, orts, etc.

### 3.2.2 Regulatory Policies

They are policies, which refer to law or policy outputs that regulate distribution, practices, actions and activities. These are policies, which relate to directions, rules and frameworks on activities in various areas such as business, commerce, agriculture, transportation, etc. Their impact is either increases in costs or restrictions or expansion of activities and alternatives to private individuals organis ations Examples are NAFDA C and Standard Organisations.

### 3 . 2 . 3 Redistributive Polices

These are policies, which relate to relations between or among classes or categories of the population. They benefit particular segments or category of the population, such as the unemployed, homeless, the poor, the retired, etc. Their target and impact are normally large scale or broad. They are largely discriminatory to the disadvantages and advantages, working or retired, etc. They relate particularly to transfer of resources among large groups or classes (Anderson, 1975:58). Examples of distributive policies are social welfare programmes and some educational and tax policies.

### 3 . 2 . 4 Fundamental Policies

These are policies derived from the constitution; hence they are based on constitutional provisions or judicial interpretations of the constitution. Such policies can only be changed or abolished by con sti tut ional a mend me nt and are characterized by large size, high importance and long tenure.

**SELF-ASSESSMENT EXERCISE 2**

What is a Redistributive Policy?

### 3.2.5 Major Polices

Major policy is based on legislature enactment made by the highest legislative bodies at varying levels of government. They are either in the form of laws or programmes. Major policies are therefore important and backed by the highest legislative bodies. They could be regarded as general policies, stating broad outlines and frameworks.

### 3.2.6 Functional Polices

They emanate largely from the executive branch but could also emanate from decision and resolution set by legislatures and the courts. They are actually minor policies that relate to regulations and guidelines. They could also be administrative decision that are made in the process of implementing or administering public policy programmes overtime and indifferent situation and circumstances. They are therefore functional and operational policies.

### 3.2.7 Mega Policy

It is a policy that constitutes a framework for other, which usually are minor or secondary policies. Mega policy is a master policy within which and by, which some other policies within a specific policy issue or area are made. It provides the guide, the direction and the major assumptions and goals for other policies. Mega policies dictate the pace of more specific policies in relation to scope, time, levels of change and orientation.

### 3.2.8 Meta Policy

It is a policy that relates to policy making. Its attention and goal is on how to make other policies and particularly how to make better policies. Meta policy is concerned with the mode of policy and the system within, which public policy is made. It relates to policies on the process, guides, techniques, methods, requirements and characteristics of policy-making system. It is concerned with the design and redesign of policy-making systems in terms of structure, procedures, patterns; outputs level, models, methods, components, personnel and requirement. The goal of Meta Policies is to influence positively or improve policymaking systems and thus policy making. (Ikelegbe: 1996:18-19)

## 4.0 CONCLUSION

The analyses of uses and types of Public Policies in this unit have educated you more on public policy analysis. The effort was geared to make you a good public policy analyst.

## 5.0 SUMMARY

In this unit, you were given the uses and types of public, monitoring problems, among others. Furthermore, the types of public policies discussed in this unit are distributive, regulatory,

redistributive, fundamental, major, functional, mega and meta policies. It is hoped that you have understood them but try to revise regularly.

**ANSWER TO SELF-ASSESSMENT EXERCISE 1**

- Ascertaining public problems
- Definition of public problems precisely
- Provides a base for determine strategies for resolution of public problems

**ANSWER TO SELF-ASSESSMENT EXERCISE 2**

Redistributive policy is a policy that relates to relations between or among classes or categories of the population such as the unemployed, homeless, the poor, the retired, etc.

## 6.0 TUTOR-MARKED ASSIGNMENT

Differentiate between Mega and Meta Policies.

## 7.0 REFERENCES/ FURTHER READING

Aderson, E.J. (1975). *Public Making.* New York: Praeger Publishers.

Dror, Y. (1973). *Public Policy Making Re-examined.* London: Leonard Hill Book.

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# UNIT3 THE PERSPECTIVE, DESCRIPTIVE, MICRO AND MACRO APPROACHES IN POLICYANALYSIS

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    3.1 The Prescriptive Approach
    3.2 The Descriptive Approach
    3.3 Micro Approach
    3.4 Macro Approach
4.0 Conclusion
5.0 Summary
6.0 Tutor-Marked Assignment
7.0 References/Further Reading

## 1.0 INTRODUCTION

Several approached are used in the study of Public Policy Analysis. In this unit, you are given prescriptive, Descriptive, micro and approached to begin with. This will enable you understand their definitions, meanings and characteristics.

## 2.0 OBJECTIVES

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

know the Perspective Approach
know the Descriptive Approach
know the Micro Approach
know the Macro Approach.

## 3.0 MAINCONTENT

### 3.1 The Prescriptive Approach

The prescriptive approach basically is the generation of information and analysis directed at better policy making and performance. It proffer policy options or alternatives, solution and strategies based on analysed data which could emanate from the social and policy problems, social indicators, evaluation of existing or past programmes and projects.

There are four characteristics of prescriptive approach and are as follows:

i. It is analytical. It emphasizes the generation of data analysed with social science techniques and methodologies, models and concepts, especially quantitative techniques.

ii. Prescriptive approach is goal and problem oriented. It directed at specific problems and the goal is to proffer solutions and advice.

iii. It is tended to be more client oriented. Such actors have suggested prescriptive approach address issues relevant to policy actors or that. The emphasis is on the practice and relevance of public policy analysis to real life and societal needs.

## 3.2 The Descriptive Approach

Descriptive studies describe and explain public policies. Its focus of research is on history, development, causes, implementation, consequences and problems of public polices. Descriptive studies also focus on the description of the national and state policy process and individual policy or policy sector processes. The Descriptive Approach characteristics are:

i. It is more of academic studies whose intentions and goals are not informed by the needs of prompts of clients or policy actors.

ii. Descriptive approach seeks the understanding of policy processes, policy problems and stations. It particularly seeks to explain the causes of public policy, the nature and trends of expenditure in policy sectors or areas, and the problems of public policies, among others.

iii. It is more concerned with the investigations of policy contents implementation, output and impact of particular policies.

iv. Descriptive approach is evaluatory and therefore retrospective and relate the studies of on-going or completed programmes.

**SELF-ASSESSMENT EXERCISE 1**

What is prescriptive approach in the study of public policy analysis?

## 3.3 Micro Approach

The micro approach relates to the scope of research studies undertaken and focuses on the study of specific public policies and policy problems. Its aim is a thorough investigation of a particular policy's process of formulation, enactment, implementation, output, performance, impact and problems.

The approach generally involves intensive studies of the policy involving examination of reposts, documents and other sources of information on the development, implementation and impact of the policy. It also involves historical narratives, accounts and chorological presentations of information on the policy. It reports or describes the policies as they were or are and involve limited explanations of causes and problems.

Micro approach enhances understanding of the workings of the policy and political process and particularly enlightens us on how the various institutions of government, interest groups and influential elites interact and contribute to policy development and implementation. It broadens our outlook to the input and effects of various persons groups and institutions in the policy process.

While some researches may study a specific policy as a whole, seeking to understand and describe it other focus on aspects of the policy such as the policy formulation, implementation and impact.

**SELF-ASSESSMENT EXERCISE 2**

Describe micro approach.

## 3.4 The Macro Approach

Macro approach is broad and place more emphasis on the development of knowledge, understanding and generalizations on the nature of public policies. It focuses on general aspects of public policy analysis such as types of policies, policy process models and policy areas. Macro approach comprises wide range studies and analyses of policy issues. The aim is to provide broad structures of analyses or basic organisation of policy studies and guides for analyses of more specific policy areas.

Such studies also provide broad concepts, tool, models, generalizations and knowledge for understanding and analysis.

There are four broad categories in macro approach studies. First, it focuses on the nature of policies themselves. Second, it also focuses on thorough investigation of the policymaking process and implementation. Third, it develops models, theories and concepts to explain or interpret policy issues. Fourth, it focuses on public policy areas rather than on specific policies.

The macro approach contributes immensely to enriching our understanding of policy activities and providing a better framework for the systematic study of public policy. (Ikelegbe: 1996:26)

## 4.0 CONCLUSION

Approaches in the study of public policies are important to enable you understand the public policy analysis better. More of them are discussed in Module 2 units 1 and 2.

## 5.0 SUMMARY

In this unit, we discussed prescriptive, descriptive, micro and macro approaches in the study of public policy analysis. It is recommended that you revise them often for better understanding.

### ANSWER TO SELF-ASSESSMENT EXERCISE 1

Descriptive approach is essentially the generation of information and analysis directed at better policy making and performance.

### ANSWER TO SELF-ASSESSMENT EXERCISE 2

The Micro Approach focuses on the study of specific public polices and policy problems. Its objectives are a thorough investigation of a particular policy's process of formulation, enactment, implementation, output, and performance impact problems.

## 6.0 TUTOR-MARKED ASSIGNEMENT

Differentiate between Micro and Macro Approaches.

## 7. 0 REFERENCES/ FURTHER READING

Ikeiegbe, A.O. (1996). *Public Policy M aking and Analysis.* Benin-City: URI Publishing Ltd.

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# MODULE 2 METHODS AND APPROACHES IN POLICY ANALYSIS

Unit1 The Perspective, Descriptive, Micro and Macro Approaches in Policy Analysis
Unit 2 The Qualitative and Quantitative Approaches
Unit 3 System and Elite Theories

## UNIT1 THE PERSPECTIVE, DESCRIPTIVE, MICRO AND MACRO APPROACHES IN POLICY ANALYSIS

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3.0 Main Content
  3.1 The Dependent Variable
  3.2 The Independent Variable
4.0 Conclusion
5.0 Summary
6.0 Tutor-Marked Assignment
7.0 References/Further Reading

## 1.0 INTRODUCTION

In policy analysis studies tend to adopt either a dependent variable or independent Variable approaches. Both of them are analysed in this unit.

## 2.0 OBJECTIVES

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

to improve your knowledge of public policy analysis
understand a dependent variable
difference between dependent and independent variables.

## 3.0 MAIN CONTENT

### 3.1 The Dependent Variable

In dependent variable, a policy is regarded as an output of dominantly linear policy process. Policy is regarded as the output

of demands and support inputs into policies. Therefore, policy is equated as an output dependent on or determined by the process. Under dependent variable, the content, nature and impact of policies are determined by the nature of the policy process. The policy analyst's aim is to explain policy in relation to the policy process. Hence the study of any given policy becomes that of inquiry into the determination of demands, the interest groups that articulate them, the channels or government structures through which the demands were processed, the input of the legislature, executive and bureaucracy in the policy formation and enactment and the agencies responsible for its implementation among others.

**SELF-ASSESSMENT EXERCISE 1**

Describe the Dependent Variable Approach in public Analysis.

## 3.2 The Independent Variable

The independent approach attempts to understand explain the policy process and the entire political process through the study of policies. The nature of the policy made is related to the entire policy and political process such that the interactions and relationship between them and the effects or impacts of policy on the policy and political process area examined. The nature goals contents and characteristics are studied. The focus is directed to the relationship between the policy, the political system and the environment. The essence is to know the ways in which the policy affects or is affected by the political system and the environment either structurally or in terms of activities. The knowledge and understanding of the policy and its interactions, become aids in the understanding and explaining of the nature of the policy process, the administrative agencies, the relevant public and wider environment. The major of areas of study in independent variable is impact analysis while the focus is on the effect of the policy on the real world. It seeks to investigate the consequences of the policy on the target group, other groups, the political and policy process, the structures of implementation and others both in the immediate sense and in the future. Independent variable directs attention to the independent study of policy. In particular, it directs attention to the interaction between the policy and political process and the environment. Independent variable enables a broad focus and perspective in policy studies. (Ikelegbe: 1996 26-27).

**SELF-ASSESSMENT EXERCISE 2**

What is independent variable in Public Policy Analysis?

## 4.0 CONCLUSION

The study of public policy analysis is wide and has many approaches. Dependent and independent variable are among the various approaches, which you have just read. This is to give you further insight into the study of public policy analysis.

## 5.0 SUMMARY

This unit tells you about the dependent and independent variables in the study of Public Policy Analysis. Basic characteristics or the two variables were discussed. You are being introduced to the variables systematically to enable you have an easy understanding.

### ANSWER TO SELF-ASSESSMENT EXERCISE 1

The dependent variable regards policy as an output of a dominantly liner policy process and as the output of demands and support inputs into the political system, which converts or process them into policies.

However the dependent variable diverts attention from thorough study and examination of the policy itself, which includes its peculiarity, nature, content scope, innovations, strategies loopholes and implementation feasibility. Furthermore, it diverts attention from the effect of the policy on the structure and processes of government, implementation agencies, groups and the environment.

### ANSWER TO SELF-ASSESSMENT EXERCISE 2

Independent variable explains the process and the entire political process through the study of policies.

## 6.0 TUTOR-MARKED ASSIGNMENT

What is the difference between dependent and independent variables in the study of public policy analysis?

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# UNIT 2 THE QUALITATIVE AND QUATITATIVE APPROACHES TO THE STUDY OF PUBLIC ANALYSIS

**CONTENTS**

1.0 Introduction
2.0 Objectives
3.0 Main Context
  3.1 The Qualitative Approach
  3.2 The Quantitative Approach
4.0 Conclusion
5.0 Summary
6.0 Tutor-Marked Assignment
7.0 References/Further Reading

## 1.0 INTRODUCTION

The qualitative and quantitative approaches are used to narrate, described and studies data of policy issues Each of them is extensively discussed in this unit.

## 2.0 OBJECTIVES

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

know the qualitative approaches in the study of public policy analysis

know the qualitative approaches in analyzing data of public policy issues.

## 3.0 MAIN CONTEXT

### 3.1 The Qualitative Approaches

The qualitative approaches to policy analysis relies on narrations and description rather than quantitative data analysis. The focus is on historical, anthropological, philosophical, legal and journalistic description and narrations of policy issues, problems and incidents, they describe the policy process, narrate the implementation and impact of programmes, describe the history of the policy problems and the policy attempts at as dissolution and present the anthropological, moral, legal and historical backgrounds to policy programmes.

The qualitative analysis tells on both quantitative data such as do c ume nt s, r eco rds , cont e nt a n aly s is of me d ia s o urc es , interviews and observations. However major goal of qualitative approach is the presentation of finding in lunch, descriptor form and the methodology is therefore not rigorously quantitative.

T he s e st ud y ha v e c o ns i de r a ble v a lue i n po lic e s a na lys is particularly in accounting for or describing policy relevant incidents, backgrounds and other information. Furthermore, they enable better understanding of the policy issues, problems and programmes because they present considerable information which assist researchers any policy analysis in explaining policy relevant phenomena, as well as background for policy formation and recommendations. (Ikelegbe: 1996:28).

**SELF-ASESSMENT EXERCISE 1**

Describe Qualitative approach in the study of public policy analysis

## 3.2 The Quantitative Approach

The quantitative approach in policy analysis rely on quantitative da t a a nd t ec h n i qu e s i n i s s ou rc e , me t ho d, a n a l ys is an d presentation. It emphases quantitative techniques as the method of analysis of its data and findings.

The statistical techniques used vary from sample percentages, tests of associations and time series to very rigorous techniques as complex regression. These statistical t echnique s he lp the researcher in inducting relationships and differences between variables and policy related phenomena. Percentages cross tabulations and histograms constitute some of the very simple techniques. Test of association and correlations constitute more complex techniques. Some of these tests such, as the time series analysis test and linear regression are very important in policy analysis and evaluations.

The time series analysis is very important in measuring policy differences, impact and other correlates in political/geographical units at various time intervals. The analysis helps provide periodic e v a l u a t i o n s , e s t i m a t e s o f c h a n g e o r d i f f e r e n c e a n d i n c o m p a r i s m s . T h e t t e s t i s a l s o i m p o r t a n t i n t h i s d i r e c t i o n particularly in terms of estimating differences.

R e g r e s s i o n a n a l y s i s i s c o m m o n l y u s e d i n p o l i c y a n a l y s i s i s commonly used in policy analysis. Linear regression is particularly useful in evaluation in providing linear extrapolations of pre-policy

values thus enhancing comparisons w ith actual policy values. These are several techniques and models for determining causality in policy analysis such as recursive path estimation analysis.

**SELF-ASSESSMENT EXERCISE 2**

What is quantitative approach in the studies of public policy analysis?

Another popular quantitative techniques is the experimental research design. The design is aimed at determining ex post, the effects of programmes through careful planning and experiments. It consists of an experimental and control group. The experimental group, which should be identical to the control group are observed and compared; such that the effects of the policy treatment are determined. However, because of the difficulties of pure experimental designs, such as infeasibility, rigor, cost and relays, quasi-experimental designs are often use as practical alternativesorasapproximatemethod.Thisincludethe estimation of programme effects through interrupted time series technique and the choice of control group most similar to the experimental group.

The sample surveying research is also commonly used in policy analysis of quantitative technique. Under it, policy

## 4.0 CONCLUSION

The two approaches relay to the focus scope, direction and method of studying policy research. They are not mutually exclusive in usage but rather over tapping.

## 5.0 SUMMARY

This unit as discussed the qualitative and quantitative approaches in the studies of public policy analysis. Their techniques are moderately analysed.

**ANSWER TO SELF-ASESSMENT EXERCISE 1**

The qualitative approach in the study of public policy analysis describes the policy process, narrate the implementation and impact of programmes, among others.

## ANSWER TO SELF-ASESSMENT EXERCISE 2

The qualitative approach in the study of public policy analysis describes the policy process, narrate the implementation and impact of programmes, among others.

The quantitative approach in the studies of public analysis relies on quantitative data and techniques in its source, method, analysis and presentation.

## 6.0 TUTOR-MARKED AS SIGNMENT

Differentiate between qualitative and quantitative approaches in the study of public policy analysis.

## 7.0 REFERENCES/FURTHERREADING

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# UNIT 3 SYSTEMS AND ELITE THEORY

## CONTENTS

1.0 Introduction
2.0 Objectives
3.0 Main Context
    3.1 System Theory
    3.2 Easton Model of System Analysis
    3.3 Elite Theory
4.0 Conclusion
5.0 Summary
6.0 Tutor-Marked Assignment
7.0 References/Further Reading

## 1.0 INTRODUCTION

Historical the system theory has its origin rooted in biological sciences. The control and guiding concept in the general system theory is the concept in the general system theory is the concept of "systems". Systems are generally relationship or better still a whole which is composed of many parts. It emphasizes relationships and not individuals. Elide theory is also discussed.

## 2.0 OBJECTIVES

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

know the three elements that guide the understanding of system theory, namely:

i. Parts
ii. The part must be related to the whole
iii. Each part makes certain contributions towards the survival of the whole. This third part is called the functions and is the essence of functionalism

understand that the central guiding principle of the approach is the assumption of equilibrium, that is, the whole will need the cooperation of the part to keep it mobile

know the elide theory.

## 3.0 MAIN CONTEXT

## 3.1 The System Theory

The systems theory sees policy as an output of the political system. The output itself is concerned as the result of various environmental variables acted upon by the political system. The system's theory of policy making is based on the Estonian frame work for the analysis of political systems. The theory conceives of political activities as the essentially involving the environment, the political system and output. The environment consists of the objective condition and forces that generate demand and support inputs. Support consist the adherence to law or positive orientations, which promote the political system such as loyalty and patriotism. Demand are the articulated needs, problems and articulated needs, problems and aspirations which are brought to bear upon the political system. The political system consists of the institutions, process and personnel of government. The political systems acts as the processors of inputs into outputs, which are authoritative allocations or outputs are the public policies. Public policies are therefore the reaction of the political system to environmental element al demands and pressures. (Ikelegbe: 1996:3, 20)

**SELF-ASSESSMENT EXERCISE 1**

What is system theory?

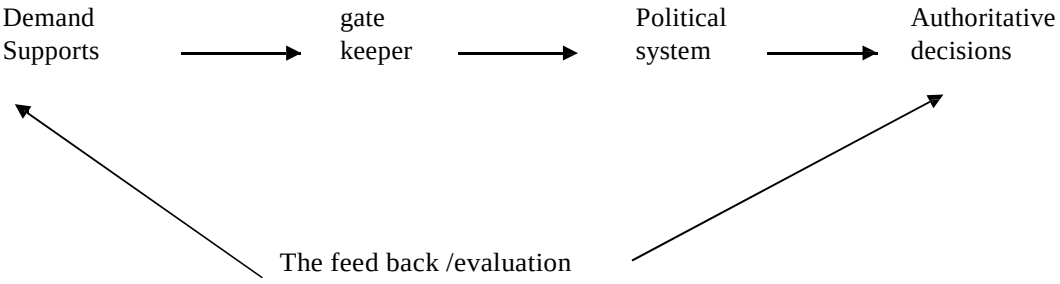
However, the model assumes that policies are environmental input converted by the political system. It fails to recognize that the characteristics of the political system itself may have considerable independent effect on the content of policies. For example, policy maker may just be independently creating policies or at best enacting as policies what may be believed to be in the populations interest. Therefore, sometimes, it is not the environmental input that is converted but policy is the result of the characteristics, interrelations, values, bargaining and consensus within the political system itself. What is required is to look at the political system itself, not just as a converter of input but as an independent source of policy output.

## 3.2 Easton's Model of System Analysis

David Easton in (1953) popularized the system theory in political studies. In relation to human society, any political system is made up of several sub-groups performing different functions and it is a

combination of these function that keep the entire system moving (Olaniyi 1995-71) David Easton's system theory can be explained as a two - way traffic between the governor and the governed. It is graphically instructed thus:

Input




**Source:** Hagene and Harrop (1982:12)

The political system takes inputs from society consisting of demands for particular policies and expression of support for the regime and converts into output authoritative policies and decisions. These out puts then feedback to societies so as to affect the next circle of outputs. Outputs are what governments actually do or the service will render. The degree of successes of government policy is tested through feedback. Therefore, policy option cannot be taken for granted, it must be tested, measure analysed and improved it. If its performance is to be improved. (Olaniyi, 1998:59). Naturally, people tend to support government when their needs are met and withdraw supports when the reverse is the case. The relationship between inputs and outputs is very vital. Without input, the system cannot work, and without outputs, it cannot identify the work done by a system. However, it is only the demands which cannot be resolved privately that need authoritative decision or matter for serious political decision.

**SELF-ASSESSMENT EXERCISE 2**

What are the inputs and outputs in system theory?

## 3.3 Elite Theory

The elite theory populates that public policy reflects the values and preferences of the elite, rather than demands of the masses. It is the elite that make policies while administrators and public official carry out the elites policy decisions. Because the elite

have common interest in the preservation of societal status quo, policies are bound to be conservative, non-invocative and marginal, rather than those with bold and high change potentials. Policies might sometimes be in the masses interests, even though the long-term interest may be that of the elites, but this happens as concession to or reactions by the elites to threats of the status quo by the masses.

There is consensus among the elites on the survival and stability of the society and its fundamental values. The consensus is based on self and vested interests in the protection of their status quo. The elite maintain the systems stability in several ways. It co-opts citizens who challenge the system into the elite class so long as they accept the basic elite consensus. The elite provide a slow, gradual but some access to the elite class so that change and stress could be avoided. To preserve itself and to avoid change and stress, it concedes to some welfare policies and public demands.

The masses of the population are, on the other hand, unorganized, passive and uninformed. The masses are atomized, not organize for concerted political action, and caught in their own milieu, have fragmented perception, are politically in competent and inert, lack political initiative, innovation, interest and knowledge concerningpoliticalactivityanddisplaysa psychological need for guidance ands direction. The masses have relatively little influence or control over public policy or even over the elites. Public policy, therefore seldomly reflects their interests and preferences.

The elite theory directs our attention to the source of policy flow and whose interests public policies services. The theory attempts a realistic explanation of the source of policy by predicating it in the elites rather than the masses.

## 4.0 CONCLUSION

The political system may be slow or unable to convert demand into.

## 5.0 SUMMARY

The system theory is discussed in this unit with characteristics. The inputs from society are converted into outputs through authoritative policies or decisions and feedback is expected from society. The system theory is essentially a whole unit parts (sub-systems) each performing its functions for the overall effectiveness of the system. The elite theory and its features were also discussed.

**ANSWER TO SELF-ASSESSMENT EXERCISE 1**

System theory, generally, are relations or a whole which is composed of many parts. In public policy analysis, the system policy sees policy as an output of their political system.

Meanwhile the systems theory has the advantage of insight into the totality of the policy process and the interactions between component parts. The theory places before the policy analys t several relationships and question of interest for investigation such as:

What is the relationship between environmental input and public policies? Or how does environmental input and the characteristics of the political system affect the content of public policy? And so on.

**ANSWER TO SELF-ASSESSMENT EXERCISE 2**

Inputs are the demand or support from society while outputs are the authoritative policies and decisions.

Finally, the flow of inputs into the system, is regulated by gatekeepers such as interest groups and parties whic h
collectively bias the system in favour of certain demands and against others.

## 6.0 TUTOR-MARKED ASSIGNMENT

How relevant is system theory to public policy making?

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## MODULE 3 THEORIES OF POLICY MAKING

Unit 1 Institutional and Group Theories
Unit 2 The Rational-Comprehensive, Satisfying and Mixed Scanning Models
Unit 3 The Policy Process

## UNIT 1 INSTITUTIONAL AND GROUP THEORIES

**CONTENTS**

1.0 Introduction
2.0 Objectives
3.0 Main Context
3.1 Institutional Approach
3.2 Group Theories
4.0 Conclusion
5. 0 S u m ma r y
6. 0 Tu t or-M ark e d A s s i gnme nt
7.0 References/Further Reading

### 1 . 0 INTRODUCTION

Both institution approach and group theory to the study of public policy A nalysis are discuss ed in this unit. Y ou w ill know their relevance to Public Policy Analysis after you have read thus unit.

### 2 . 0 O B J E C T I V E S

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

know institutional approach in the study of Public Policy understand Group Theory.

### 3 . 0 MAIN CONTEXT

### 3 . 1 T he I ns t it ut i on al A p p r oa c h

The relevance of the institutional approach to the study of Public Policy Analysis was popularized by Dye in 1972. It focuses on the formal institutions of government - legislature, executive and judiciary while less premium is given to organisations such as pressure groups or the mass media or to the wide social context within which government operates.

According to Dye, institutions may be so structured as to facilitate certain policy outcomes. They may give advantage 40 certain interest in the society and withheld advantage from other interests. Certain individuals and groups may enjoy greater access to government power under one set of structural characteristics than under another. In the shod run, the structure of government constitutions may have important policy consequences.

If one relates Dye's position to the contemporary experiences in the world, it will reveal that any of the institutions of government can be structured in a way to get predetermined results. For example, in a military government, the tasks of law making and law-execution are fused. Similarly, when a Constituent Assembly is dominated by government appointees the end result is to get a constitutional draft that will benefit the ruling body.

**SELF-ASSESSMENT EXERCISE 1**

DescribeInstitutionalapproachinthestudyofpublicpolicy analysis.

## 3.2 TheGroupTheory

Let us start by defining a group. A group can be defined a collection of individuals who have some characteristics in common and interact with some frequency on the basis of their shared interest. (Truman; 1971:23)

Harry (1963:391) summarized the group that politics is the process by which social values are authoritatively allocated and this is done by decisions. The decisions are produced by activities, and each activity is not something separate from every other, but masses of activity have common tendencies, in regard to decision. These masses of activity are groups, so the struggle between groups or interest determine what decision are made.

Thus, when a group makes claim upon other groups, it is an interest group. When it makes claims on the government, itbecomes a political interest group. However, all groups are interest groups and may become a political interest group at one time or the other. Therefore, to the group theorist, the interaction among groups is the central fact of politics and an important element of the governmental process.

The interaction, competition and struggle between the groups results in policies when articulated by the conversion process. A given policy therefore, at any time is the equilibrium or the compromises reached in the group struggle. The political system or the institutions of government and policy makers referee the group interaction and enact policies in favour of the most influential group.

Government and its institutions are the centers of interest group power and the object of the ends or me ans of group objectives and interests. Interest groups focus their attention on the bargaining, compromises, coalitions and other activities that take place within the institutions of government among various groups and int ere st s. To e ns ure t hei r i n fl uen c e, the g roups ma intain a c ce s s to t he ke y po i nt s of de c is i on mak i ng in go ver nme nt al institutions of government among various groups and interests. To ensure their influence, the groups maintain access to the key points of decision making in governmental instructions such as the legislative committees, the executive, administration and even the judiciary. The influence of any groups depends on its leadership, organisation, resources and strategy position. The group activities generate conflicts and controversies. However, these are prevented from causing serious instability or systemic breakdown because of the presence of multiple and overlapping group memberships, competing groups, potential interest groups and unorganized interests.

**SELF-ASSESSMENT EXERCISE 2**

Define the group theory.

In developed countries, groups may have much input in the policy formulation and implementation process. There is also a growing role of groups in the developing countries. However, the role and importance of groups differ across countries. Meanwhile several fac t or s s uc h a s t he d e gr ee of mo de rn i z at i on an d i de ol o gic al orientation tend to affect group development. The therefore more a reflection of policy making in societies which have considerable group development either because of the level of economic development or ideological orientation. The group theory ignores the role of the individual, the poor and the unorganized masses of societies.

In the final analysis, the group theory enables the policy analyst to attend to and understand the role of groups in the policy process. (Ikelegbe, 1996:34-35)

## 4.0 CONCLUSION

Instructional approach to the study of politics dominated the study of the comparative politics for many years and focuses on the formal institutions of government while the group theory emphasizes interaction among people with common tendencies to achieve the desired interests.

## 5.0 SUMMARY

The unit discussed the institutional approach and the group theory in the study of public policy analysis. The institutional approach focused on institutions and the group theory analysed a collection of individuals with shared interest.

### ANSWER TO SELF-ASSESSMENT EXERCISE 1

Institutional approach focuses on the formal institutions of government such as legislature, executive and judiciary while less attention is given to pressure groups, the mass media or to the wide social context within which government operates.

However, institutional approach was criticized because it was descriptive rather than analytical in nature. The executive, legislature and judiciary, which are all institutions of government are some of the actors involved in policy making and each of them performs specific tasks in relation to decision making. (Olaniyi, 1998:59-60)

### ANSWER TO SELF-ASSESSMENT EXERCISE 2

A group theory can be defined as a collection of individuals who have some characteristics in common and interact with some frequency on the basis of their shares interests.

## 6.0 TUTOR-MARKED ASSIGNMENT

How effective is the group theory in public policy formulation and implementation in developing countries.

## 7.0 REFERENCES/ FURTHER READING

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# UNIT 2 MODELS OF POLICY MAKING

## CONTENTS

1.0 Introduction
2.0 Objectives
3.0 Main Context
    3.1 The Rational Comprehensive Model
    3.2 Incremental Model
    3.3 Satisfying Models
    3.4 Mixed Scanning Model
    3.5 Organizational Process and Political Bargaining
4.0 Conclusion
5.0 Summary
6.0 Tutor-Marked Assignment
7.0 References/Further Reading

## 1.0 INTRODUCTION

Models can be described as simplifications and abstractions of the real world, with the purpose of discovery of facts, which enhance our understanding. Therefore, the models of policy making are attempts of simplifying the real world situation of policy making through relating how individuals and groups take decisions, what guides such decisions, what information the decision maker looks for and what influences his decision. The models give answers to the questions of what assumptions and puzzles guide decision making and what frames of reference and scale of relevance do guide and should guide the entire analysis (Ikelegbe; 1996:36).

## 2.0 OBJECTIVES

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

know the Rational-Comprehensive Model
know the Incremental Model
know the Satisfying Model
know the Mixed Scanning Model
know the Organizational Process and Political Bargaining.

## 3 0 MAIN CONTEXT

### 3 . 1 T he Ra t io n a l- Comp r eh e n s i v e M od el

The rational-comprehensive model of policy making can be described as a system analysis approach based on principles of scientific investigation and scientific problem solving. It has five features namely:

1. Classificationofvalues
2. Mean-ends analysis
3. Choice of most appropriate means to achieve desired ends
4. Comprehensiveanalysis;and
5. Analysisthatistheorybased(Lindblow,1959:79)

The Rational-comprehensive analysis defined the problem, develops alternatives solutions, places values on the consequences of various alternatives, assesses the probability that they will occur and makes a decision based on logical rules. The model attempts to serve the ideal contained in Max Weber's view of bureaucracy in which decisions are on impersonal rules and techniques. It also draws heavily on the economists' vision of how a rational "economic man" should make decision. In addition, it relies on rational decision-making models developed by Mathematicians and psychologists. (Olaniyi, 1998:64).

The Rational-Comprehensive analysis assumes a static situation in which relevant conditions do not change and no new information becomes available during the time period of analysis and decision. (Chandler and Plano, 1988:131).

### 3 . 2 T he I n c r e me n t a l M o d e l

The incremental model was postulated by Robert Dahl and Charles Lindblown as a reaction to the constraints of the rational model. The model abandons economic rationality as impossible and instead posits that decis ion makers only consider limited values, limited goals, limited alternatives and only realistic solution to the desired goal. It involves successive and limited comparisons. The goal is no the one time, radical, bold and major solution to societal problems but marginal or incremental polices or changes. According to Lindblown (1959:135), incremental policymaking proceed in chronological series, made and remade endlessly, a succession of incremental changes, building out from the current situations, step by step and in small degree.

Therefore, decision makers do not review the whole range of societal values and problems and the whole range of policy alternatives and their consequences nor calculate, cost and weigh each set of values and alternatives.

Mann (1975:158) gave summary of the incremental model as consisting of marginal calculation, consideration of limited alternatives, adjustment of goals to means, consideration of limited consequences. reconstructive treatment of data and remedial orientation of policies.

However, the weaknesses of the incremental model include its subjectivity, failure to realize that new values need to he incorporated, among others while its main strength is the reflection of the political realities of decision-making. (Ikelegbe, 1996:39).

**SELF-ASSESSMENT EXERCISE 1**

Briefly explain the Rational -Comprehensive model.

## 3.3 The Satisfying Model

The satisfying model is the process of finding a decision alternative that meets the decision maker's minimum standard of satisfaction. The model was postulated by Herbert Simon and focuses on the administrative actor in the decision-making situation. To the model, there are so many constraints to rationality that the administrator does not look for economic rationality or net value decision but for the satisfactory alternative. The ultimate choice is the alternative that is good enough, feasible, satisfactory and meets the decision makers standards and expectations. Where no satisfactory alternative is found, the level of aspiration would be reduced so that eventually an alternative that is satisfactory matches the new level of aspiration is found. (Simon, 1995:134).

## 3.4 The Mixed-Scanning Model

The mixed-scanning model is a reaction to both rational and incremental model. According to Etzioni (1967:27) who is the scholar of this model, none of the two models is completely satisfactory in explaining, predicting and guiding decision making. He therefore postulates that the right kind of analysis is a kind of mixe d- sca nni ng, w hich is a mixture of bot h ratio nal and incremental models depending on the problem, the need and the situation. Thus in circumstances requiring fundamental decisions, the rational model could be used while the incremental model would be used in situations

requiring incremental policies.

**SELF-ASSESSMENT EXERCISE 2**

What is incremental model?

## 3.5 The Organisational Process and Political Bargaining Models

The organisation process model as postulated by G. Allison is that decision-making within organisations is different from individual decision making because decision process in organisations is fragmented among departments and individuals, as are the goals, objectives, values and perception of means for attaining objectives. The input into the decision-making process are also disjointed because of their differing sources within the organisation. The number and variety of goals are limited by the need to maintain the organisation might be manipulated to project or project certain interest. Organizational decis ion, therefore, reflect the standard procedures, regular patterns of behaviour, features and interest of the organisation.

Meanwhile, the Political Bargaining model, also postulated by G. Allison, emphasized that decision-making in government circles is characterized by conflict, compromise and bargaining. The actors involved that is, individuals, groups and organisations have interest; which they project or protect when faced with decision-making situations. Each player invests this resources and influence in such a way as to advance his interest and policy is the outcome of the bargaining and trade offs between the actors. The policy itself reflects an outcome that has general support, accommodates several interests and is based on the consensus reached.

The model explains to a large extent how societal decisions are made and what determines the outcome. It particularly explains how a web of interrelated individuals and groups barging to produce policies congruent to their interests. This enables us to understand why certain policies are made, why governments choose not to act in certain policy areas and why such inaction or non-decision sometimes constitutes decisions. (Ikelegbe; 1996:41-42).

## 4.0 CONCLUSION

The models of policy making, namely, rational-comprehensive, incremental, satisfying, mixed-scanning organizational process and political bargaining were analysed. The essence is to enrich your knowledge on policy-making models.

## 5.0 SUMMARY

Five models of policy making had been discussed in this lecture. Some of them are interrelated or mixed. The choice of any of them depends on circumstance and interest attached to a particular policymaking. You should therefore, review them regularly so that whenever you find yourself in such situations, you can easily pick the most suitable model to your condition.

### ANSWER TO SELF-ASSESSMENT EXERCISE 1

The model focuses on the means of attaining rational \decision-making. It believes that the decision maker is a rational actor who wants to make rational decision or net benefits policies. It therefore involves the calculation and quantification of ad costs and benefits, or value achievements and sacrifices and the choice of the alternative with most net benefit.

### ANSWER TO SELF-ASSESSMENT EXERCISE 2

Incremental model presumes that public choices arise out of the interplay of partisans and that administrative decision-making usually involves a continuation of past policies with the least possible modifications to suit changing circumstances.

## 6.0 TUTOR-MARKED ASSIGNMENT

Models are just simplifications and abstractions. Discussion this statement with any two models as examples.

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# UNIT 3 THE POLICY PROCESS

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1.0 Introduction
2.0 Objection
3.0 Main Context
    3.1 Model of the Policy Process
    3.2 Stages in the Policy Making Process
        3.2.1 The Policy Generation and Agenda
        3.2.2 The Policy Formation/Formulation
        3.2.3 Policy Implementation, Performance and Impact
        3.2.4 Policy Output/Outcome and Evaluation
4.0 Conclusion
5.0 Summary
6.0 Tutor-Marked Assignment
7.0 References/Further Reading

## 1.0 INTRODUCTION

The policy process refers to the methods, conditions, procedures, activities, interactions and stages by which policies are made It refers to how policies come about or are made and what is involved in the processing of policies from problems identification to the policy outcome. You are being given the analyses of policy process and its features in this unit

## 2.0 OBJECTIVES

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

understand model of policy forces
understand stages in the policy making process.

## 3.0 MAIN CONTEXT

### 3.1 Model of the Policy Process

The policy process could be examined in general, several or specific terms. At the general level, it relates the pattern of activities, interactions, procedures and methods of making policies at the level of international organisations and state at the sectoral level, for example, you can talk of health policy [process or defence policy process. In specific terms, the process of a particular policy could also be isolated and examined. However, the processes of policies may differ as a result of the context, conditions, the persons involved and manner by

which the policies are made. Furthermore, the processes may even be unique by virtue of precedence, choice, tradition and peculiar characteristics to states governments and even policy sectors.

The examination of the policy process as an interactive process can be done from the holistic perspective provided by systems analysis. The process of policies in organisations government could be described from this perspective as consisting of several activities and interactions between the environment which generates demands, the political system or more accurately the conversion process, which converts and translates demands and preferences into policy output and the implementation system which consists of implementing agencies and activities. (Robinson and Majark; 1967:179).

## 3.2 Stages in The Policy Making Process

The policy process consists of policy generation, formulation; policy output, implementation, performance and impact.

### a. The Policy Generation and Agenda

The policy generation system consists of essentially the environment. There is physical and human environment. The physical environment consists of the spatial environment; with its peculiarities, problems and strengths and the resources whether they are physical, economic and industrial or otherwise. While the human environment comprises the citizenry and groups and their peculiarities. The human environment possesses value, attitudes, perceptions and preferences, which in interaction with human conditions and the physical environment generate numerous demands and interests which are transmitted into the political and processes.

The environment thus influence the level, direction and content of demands and interests.

Policy Agenda are the public opinions that government gives or intend to give serious attention. Therefore, Policy Agenda refers to public problems awaiting response in the present or in the future. Policy Agenda denotes the phase in the policy process when government begins to think about. Considers and discuss the policy problems and the probable nature of response.

**SELF-ASSESSMENT EXERCISE 1**

What is a policy process?

**b. The Policy Formation and Formulation**

The policy formation consists of the policy-making structures and interactions, which in the case of the political system are the institutions and structures of government such as the legislative bodies, the executives, judiciary, bureaucracy and the officials of ruing political parties. The policy formulation system acts on the expectations demands and interests generated by the environment and take certain actions. The actions are policies. The policy may be backed by funds and personnel or it may be merely a symbolic response. In other words, policy formation refers to the identification of the policy problem, the development and analysis of policy alternatives and the choice or selection of an alternative and the choice or selection of an alternative, which is then the policy. It is all the activities that go in before the policy is declared. Policy formation refers to the development of relevant policy in relation to public problems and to the proposition, consideration and enactment of the policy. This refers specifically to the consideration of policy alternative, the recommendation of a policy enactment by legislative bodies of the policy proposal.

Policy formulation is important because the fact that government considers responses to a problem is not enough. Government may decide to respond through a non-decision or defer action and it may as well take action to resolve the problem. The nature of action would depend on the nature and circumstances of the public problem.

**c. Policy Implementation, Performance and Impact**

Policy implementation is the process of translating policy mandates into action, prescription into results and goals into reality. It refers to the processes and reality. It refers to the processes and activities involved in the application, effectuation and administering of a policy. It is the actions taken to carryout, accomplish and fulfill the intents, objectives and expected outcomes of public policies. It is the act and process of converting a policy into reality and of enforcing a policy (Pressman and Wildavsky, 1979:181). Meanwhile, the implementation process consists of the implementing organization, the environment particularly the political and economic environment, the policy target group, the objectives and the enunciated method o implementation and policy resources.

Policy performance refers to how well a policy is doing in relation to intended purposes, objectives target and intended accomplishments. It releases to whether intended services haven been delivered, intended outcome or other desired and state is achieved, or

whether the target problem or situation has experienced the desired changes. Performance answers the question of how the policy has fared in its interaction with the environment. The degree of achievement of the aforementioned aspects, determines the level of performance. Performance encompasses effectiveness and efficiency. While effectiveness refers to the level of attainment or realisation of programme goal, efficiency relates the input or resources invested to the results obtained. An efficient programmes is one that achieves a high output with minimum input.

Policy impact refers to the consequences of public policy in the environment. It can be defined as the measurable changes in the social or physical environment that the policy programme was designed to produce. (Dye, 1972:312). It can also be described as the effect of a policy on real world conditions.

**SELF-ASSESSMENT EXERCISE 2**

Describe policy formation and policy formulation.

**PolicyOutcome,OutputandEvaluation**

Policy outcomes refer to the results or products of policy making. Policy outcome is the total results or products of the entire policy activity of process. It is the sum of outputs of policy activity. It is policy outcomes that impact the environment and produces policy effects.

Policy output refers to tangible manifestations of public policies. Policy output comprises all actions, activities and concreteachievements of things done, in the pursuance of policy objectives or in the course of effectuating a policy. It refers to actual things done to back up a formulation policy or statement of intentions (Ikelegbe 1996:82).

Policy evaluation can be described as a analysis of operating programmes designed to asses impact or effectiveness in attaining objectives or to asses their efficiency.(Alan and Gregory, 1980:60). Evaluation enhances data availability on the state of programmes and provide feedback on the programme results, activity and impact.

## 4.0 CONCLUSION

The policy process and stage involved are dis cussed. This to further enhance your understanding of the policy making process.

## 5.0 SUMMARY

The unit discussed policy generation. Agenda, formation, formulation, implementation, performance, impact outcome, output and evaluation. You should review them regularly for better. understating.

**ANSWER TO SELF-ASSESSMENT EXERCISE 1**

Policy Process refers to the methods, conditions, procedures, activities, interactions and stages by which policies are made.

**ANSWER TO SELF-ASSESSMENT EXERCISE 2**

Policy formation refers to the identification of the policy problem, the development and analysis of policy alternatives and the choice of an alternative, which is then the policy. On the other hand, policy formulation refers to the development of relevant policy in relation to public problem and to the proposition, consideration and enactment of the policy.

## 6.0 TUTOR-MARKEDASSIGNEMENT

How can you differentiate policy outcome from policy output?

## 7.0 REFERENCES/ FURTHER READING

Alan, S. and Gregory (1980). *Performance Administration.* Lexington: D.C. Health & Co.

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# MODULE 4 MODLES OF POLICY PROCESS

Unit 1 Actors in Policy Analysis
U nit 2 S ystem A nal ys is C ost- Ben efi t A nalys is and Cos t Effectiveness

## UNIT 1 ACTORS IN POLICY ANALYSIS

**CONTENTS**

1.0 Introduction
2.0 Objectives
3.0 Main Content
3.1 Government Actors
3.1.1 The Legislative bodies
3.1.2 The Executive
3.1.3 The Judiciary
3.1.4 The Bureaucracy
3.2 Non Governmental Actors
3.2.1 Political parties
3.2.2 Interest Group
3.2.3 The Citizenry
4.0 Conclusion
5.0 Summary
6.0 Tutor-Marked Assignment
7.0 References/Further Reading

## 1.0 INTRODUCTION

There are persons, groups and institutions who are active in the policy process. These actors influence the environment, the political system and every stage of the policy process. The actors make policy or influence policy and the direction and level of implementation activities.

## 2.0 OBJECTIVES

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

know the governmental actors such as legislatives, executives, bureaucracies and judiciary
know Non governmental actors, which include the political parties, interest groups and the citizenry.

## 3.0 MAINCONTENT

## 3.1 Governmental Actors in the Policy Process

The governmental actors occupy formal public positions and are therefore directly connected to and very influential in the policy process. These are the actual policy makers who occupy the policy making position. They are mainly the acceptors and converters of environmental demands and pressures into policies. However, they have their own institutional individual perceptions, attitudes, values, beliefs and interests which are brought to bear on policy making.

### a. The Legislative Bodies

Legislatives influence over policy range from its initiation and formulation to its implementation, control and review. The influence over policy emanates from the legislative function for representation and expression of power opinion, law making, control and oversight of the executive branch and control of expenditure.

The legislatures therefore enact the laws, which set up policy programmes and consequently determine the content, extent and timing of policies, as well as the personnel, mode and intensity of implementation and sources and level of funding. Apart from these, most legislative bodies also have power to monitor, oversee, control and review policy programmes. This is done through relevant legislative committees, the annual appropriations, the power to investigate, legislate resolutions and motions, questions and deliberations.

The legislatives influence over policy varies from state to state and depends on constitutional provisions, the party system, regime type and the legislatives leadership. For example, in liberal democratic systems, legislative influence over policy tend to be high while low in authoritarian and socialist regimes.

### b. The Executive

The executive includes the president, ministers, top political office holders, advisers and assistants. The executive has responsibility and power for the implementation of policies. The executive possesses enormous influence on the initiation, enactment, implementation, performance and modification of public policies through its powers, responsibilities a The executive branch is clearly a major actor in the initiation, drafting and formation of public policies. The executive influence on policy formation is because of its primary and resources in the political process. It provides leadership to the public bureaucracy

and manages it to accomplish laws. Moreover, as policy implementation, the managers of governmental administration, the executive possesses and controls enormous funds facilities, patronage and other resources through pronouncements as to the propriety, fairness, legality and constitutionality of laws or proposed laws. The judiciary could therefore make laws, kill laws by declaring them null and void and unconstitutional, change the course of policy activities and action, enhance policy choice by tending the weight of legality and propriety to a policy alternative and moderate implementation activity particularly the conduct and manner of bureaucratic officials and implementation. The judiciary is a moderator, an umpire and mediator of conflicts and judge of propriety in the policy process.

The judiciary, however, does not initiate or propose policies. It does not formulate policy neither does it implement policies. Rather, it only reacts to policy proposals, enactments, implementation and conduct of services and personnel. This reaction may lay the bases for policy decisions, legitimizing policies and modifying them. The judicial response is not independently prompted but intervention is based on cases brought before it by arms of government, institutions, groups and individuals. Thus judicial influence only becomes operative when conflicts in the policy process are brought before it for interpretation and review.

**SELF-ASSESSMENT EXERCISE 1**

Mention government actors in the policy process.

**d. The Bureaucracy**

The bureaucracy is a major organizational content within which policy making implementation and evaluation takes place. The traditional conception of policy bureaucracy's role in public policy is that of bringing to bear on policy making and implementation, expertise, skill and competence. The bureaucracy is strategically placed to generate and it does generate or initiate a large part of public policy. The policy making power of bureaucracies is also inherit in her being the administrative organisation for implementing policies. The bureaucracy is therefore the most important actor at the level of implementation. The bureaucracy constitutes the administrative machinery for executing public policy. The bureaucracy comprises the structures processes and staff for effectuating public policies.

## 3.2 Non-Governmental Actors

The non governmental actors influence policy through governmental actors. They seek access to these actors, lobby and mobilize them to support and convert their interest and demands into required policy output. However, their access and influence depend on their professional or other connections to the policy area, their strategic importance in the policy process and their strength in terms of membership, leadership and resources.

### a. PoliticalParties

Political parties help in the articulation and aggregation of policy issues and in the initiation and formulation of proposed policies. Political parties articulate the needs, demands and interests of their members and supporters and mediate, comprise and aggregate them into course of policy action. The party machinery researchers and considers policy issues and alternatives and decide on course of action. These policies constitute the programmes, manifestos and positions on policy issues.

Political parties are sometimes considerably influential in the execution of public polices particularly when in control of the government apparatus. They ensure the implementation of their manifestos, policies and programmes by their influence on their candidate in office because their election , support and continuity depend on their faithful adherence and proper implementation of their programmes. The party influence on policies tend to be high where they are ideological committed because in such case, the ideology guide policy action.

### b. Interest Groups

An interest group is a collection of individuals with some common characteristics, interests and interactions. They exist principally to project, pursue and protect their common interest group influence on the policy process occurs at every storage. They are active in the initiation, generation, formation of public policies and in the determination of their content and direction. Groups constitute a linkage between the public and the government. They articulate the interests and demands of their members to governmental actors in the policy process and seek to influence them to enact their demands and choices into policy actions. Interest groups actually initiate policies by suggesting and recommending policy solutions to problems that pertain to their activities and interests. Sometimes groups cooperate with governmental actors in the design and formulation of policies.

Interest groups may mobilize the public and other groups to support its policy positions and interest. They may use the mass media to build up public support. This enhances their resources and strength may increase their access and influence with governmental actors. Furthermore, interest groups influence is reinforced by the consequences of their reactions to negative or poor response by governmental actors to their desired policy positions. Groups could embark on certain actions such as protests and strikes to back up their demands.

**SELF-ASSESSMENT EXERCISE 2**

Name non-governmental actors in the policy process.

**c. Th e C itizen ry**

The citizenry are important actors in the policy process. They constitute the human environment of policies, make the demands for pu bl i c po li c y and ar e t he b ene fi c ia ri e s o f p ub li c p olic i es . Citizens influence the policy process through political parties, i n t e r e s t g r o u p s , e l e c t i o n s a n d t h e m a s s m e d i a . ( I k e l e g b e , 1996:89-101).

## 4. 0 CO NCLUSIO N

The role of both governmental and non-governmental actors in the policy process are important, which made them to be basically analysed here.

## 5 . 0 SUMMA RY

The unit treated the governmental actors in the policy process such as the legislative, executive, judiciary and the bureaucracy. A lso dis cuss ed w as non- govern ment al acto rs w hich in cl uded political parties, interest groups and the citizens.

**ANSWER TO SELF-ASSESSMENT EXERCISE 1**

They are legislature, Executive, Judiciary and Bureaucracy.

**ANSWER TO SELF-ASSESSMENT EXERCISE 2**

They include political parties, interest groups and the citizenry.

## 6.0 TUTOR-MARKED ASSIGNMENT

The citizens have no contribution in the public policy process Do you agree?

## 7.0 REFERENCES/ FURTHER READING

Ikelegbe, A.O. (1996). *Public Policy Making and Analysis.* Benin-City: Uri: Publishing Ltd.

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# UNIT 2 SYSTEM ANALYSIS, COST BENEFIT ANALYSIS AND COST EFFECTIVENESS

**CONTENTS**

1.0 Introduction
2.0 Objectives
3.0 Main Content
3.1 System Analysis
3.2 Cost Benefit Analysis
3.3 Cost Effectiveness
4.0 Conclusion
5. 0 Summary
6. 0 Tutor-MarkedAssignment
7.0 References/Further Reading

## 1.0 INTRODUCTION

There are techniques or tools, which are used in the planning, analysis, evaluation and management of policies and programmes. These tools include systems analysis, cost benefit analysis, cost effectiveness, efficiency, programme effectiveness, manage me nt by ob ject ive, planning, programmi ng -b ud ge ting system, zero base budgeting, among others. In this unit, systems analysis, cost benefits analysis,, cost benefits analysis and cost effectiveness are discussed while some others are discussed in subsequent units.

## 2 . 0 O BJEC TIVES

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

know System Analysis
knowcostbenefitanalysis
know cost effectiveness.

## 3 . 0 MAI N CO NTE NT

### 3 . 1 Sy stem An alysis

System analysis is an attempt to apply the scientific methods to public problem solving by suing a method that is open, explicit, ve rifiable and self-correcting, it is therefore described as a qualitative approach to problem solving using analytical methods to identify alternative solution.

System analysis, also sometimes called system theory, is a way to dealing with the basic economic problems of how best to use limited resources by specifying degree of effectiveness for the least cost or the greatest effectiveness for a given cost. (Olaniyi, 1998:71)

System analysis evolved from systems engineering and operations research. It was first developed between late 1950's and early 1960's and the origin is traced to the United States Department of Defence's investment through grants and contracts on systems analysis and quantitative techniques for analysis of weaponry systems, methodologies, techniques and approaches. (Alan and Gregory: 1980:4-5).

System analysis involves the application of explicit, systematic comprehensive and quantitative analysis to decision problems, requiring decisions particularly governmental problems and programmes. It involves systematic collection of relevant data and comprehensive analysis, using sophisticated, quantitative and rigorous methods, models and techniques and rational criteria to aid policy makers and programme managers in arriving at rational, efficient alternatives and the emphasize is therefore quantitative methods and analysis. System analysis is used to advise public officials on most favourable alternatives or combination of alternatives based on the model. (Ikelegbe, 1996:44)

**SELF-ASSESSMENT EXERCISE 1**

What is system analysis?

## 3.3 Cost-benefit Analysis (CBA)

Cost benefit analysis is an analytical frame technique for analyzing decision, policies, programmes and projects. It serves two purposes in public administration and public policy analysis to determine the most efficient policy or decision alternative. The CBA helps to determine the policy or decision with the highest social benefit. It is also important for prospective evaluations. A particular project is evaluated to enable decisions on its choice, benefits, level of operation and feasibility.
Secondly, CBA is also useful in process and summative evaluation. The analysis ex-post.) It is undertaken after the act to determine the efficiency and performance of a programme or project. The purpose is to determine how the project is doing in relation to objective, resources and net benefits, such that decisions could be taken whether the programme should be terminated or continued or modified. It is useful as an analytical technique for decision making and evaluations. Furthermore, CBA involves the systematic examination of all the

Gusts of a programme, whether they are tangible or not, quantifiable and measurable or whether they are real of opportunity costs.

**SELF-ASSESSMENT EXERCISE 2**

Describe cost benefit analysis (CBA).

## 3.3 Cost Effectiveness

Cost effectiveness is analytical tool for determining the least cost alternative to achieving policy objectives or accomplishments. Cost effectiveness has some similarities with the cost benefit analysis. The main difference is that cost effectiveness emphasizes lest cost for same or higher benefits rather than net social benefits. Cost effectiveness requirements are on the realization of the obvious difficulties of quantifying and monetarising the benefits of public policy programmes. In cost effectiveness, the benefits are assumed and the search is for the lower cost but maximally effective alternative to attaining the benefits. Cost effectiveness therefore does not require the quantification and monetarisation of benefits, neither is the calculation and criteria of net social benefits given any much importance.

The cost effectiveness requires the clear statements of objectives and output, and the objectives should be operationalised. It also requires the enumeration of alternative for achieving the operationlised objectives. Furthermore, itrequires the determination of the costs, benefits and impact of each alternative and the quantification of costs in achieving the stated objectives. The benefits and impact need not be quantified. However, it requires the comparison on alternative in relation to the objectives. The criteria for the choice of an alternative is effectiveness in achieving stated objectives at relatively same or lower projected costs. The alternative that achieves most at same cost is preferred. Cost effectiveness is quite suitable and applicable to policy makers and project managers in situations where the objectives and benefits of a programme accomplishment are fixed and identical and the issue is only the determination of the least costalternative with highest effectiveness. Cost effectiveness is very useful because of the limited and inadequate resources available to governments and corporations amidst so much problems, demands and needs.

## 4.0 CONCLUSION

Some tools in policy analysis had been discussed in this unit and more are

discussed in units 12 and 13. It is hoped that you will understand the tools very w ell after the subsequent units have been read.

## 5 . 0 SUMMA RY

The unit discussed system analysis cost benefit analysis and cost effectiveness, which are among the techniques or tools in policy analysis. More techniques would be discussed to enhance your comprehension.

### ANSWER TO SELF-ASSESSMENT EXERCISE 1

System analysis is an attempt to apply the scientific approach to solve public problems by using a method that is open, explicit, verifiable and self-correcting.

### ANSWER TO SELF-ASSESSMENT EXERCISE 2

Cost Benefit Analysis is an analytical technique for analyzing decisions, policies, programmes and projects.

## 6.0 T U T O R-M A R K E D A S S I G N EM E N T

In which ways could cost effectiveness be useful policy analysis?

## 7.0 REFERENCES/FURTHER READING

Alan, W.S and Gregory, A.D. (1980). *Performance Administration*. Lexington D.C: Health & Co.

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## MODULE 5

U nit 1 M anage me nt b y O bject ive s (M BO ) a nd P lanni ng- Programme Budgeting System (PPBS)
Unit 2 Game Theory and Zero Base Budgeting and Decision Analysis and Decision Tree
Unit 3 Critical Path Method (CPM), Programme Evaluation and Review Technique (PERT) and The Delphi Method
Unit 4 A Case Study of Industrial Policy of Nigeria

## UNIT 1 MANAGEMENT BY OBJECTIVES AND PLANNING - PROGRAMMING - BUDGETING SYSTEMS (PPBS)

**CONTENTS**

1.0 Introduction
2.0 Objectives
3.0 Main Content
3.1 Management by Objectives (MBO)
3.2 Planning - Programming - Budgeting Systems (PPBS)
4.0 Conclusion
5.0 Summary
6.0 Tutor-Marked Assignment
7.0 References/Further Reading

## 1.0 INTRODUCTION

This unit continues with the tools in policy analysis. Management by Objectives (MBO) and planning - Programming Budgeting Systems (PPBS) are discussed. Their explanations will enhance your understanding of techniques or tools of policy analysis.

## 2.0 OBJECTIVES

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

understand management by objectives
planning - programming - Budgeting Systems (PPBS).

# 3 0 MAIN CONTENT

## 3 . 1 M a n a geme n t Ob je ct i ve (MBO )

Management by objectives, often referred to as MBO, is a management techniques that emphasizes establishing clarifying and personnel within the organisationalizing objectives such that different sets of activities, operations and personnel within the organisation or programme could be directed and managed in accordance to and to achieve such. However MBO is not only a technique, it is also philosophy or belief in subordinate — manager participation in goals setting and management and cooperation in the joint act of achieving effectiveness.

The implementation of MBO requires clarification and agreement by management as a purpose or intentions, accomplishments or results these may be analysed in terms of their concreteness, attainability, desirability and measurability. (Baker, 1971:194). This means that they should also be stated in quantitative and verifiable terms. On the bases of those analyses, the objectives are rated in terms priorities. This process applies to both the entire organisation, and subunits. However, there has to be overall consistency in objectives.

T he s eco nd s t ag e i s budg e tin g w hi c h c ons i s ts res o ur c es available to the list of prioritized objectives. Decisions as to which objectives would be given priority in resource allocations are then made. Planning follows this stage. This is the allocation of responsibilities and the design of programmes or actions to attain objectives of varying levels and units of the organization. The control stage is that of decisions and activities to achieve unit goals. Under NBO techniques, managers and units are given autonomy to achieve set objectives in their own spheres. MBO is also characterized with periodic and performance r ev i ew s . A t un it l e ve l s, ma na g er s are e x pe c ted t o k no w accomplishments and initiate modifications where necessary. Thus there has to be feedback to the manager and where necessary, to top management. The technique also requires performance reviews at the expiration of each implementation period. A year's performance to the objectives is reviewed by management and individual contributions are assessed and rewarded on the basis of rewards are related to achievement. MBO can be applied to both business or profit and public organisations. (lkelegbe 1996:52-53).

**SELF-ASSESSMENT EXERCISE 1**

What is MBO?

## 3.2 Planning - Programming - Budgeting System (PPBS)

It is a policy planning, management and budgeting technique introduced in America in 1963. In Nigeria it was first adopted in the 1972-73 financial year.

The purpose of PPBS is to enhance management of activity through a three pronged integrated system of planning, programming and budgeting and thus equip management with a better framework for planning, particularly decision, the administration, of the organisation and its programmes.

For better understanding, planning in the P.P.B. System is simply the determination goals and the specification of the best functions consists to attain them. The programming function consists of the specification and implementation of projects within each programme. The budgeting function is the allocation of resources in money terms to achieve the specified goals programmes and projects. P.P.B.S. specified that these activities should be integrated and coordinated within an organisation. The organisations budgeting must be integrated with its plans and programmes such that the activities of the organization and clearly organized, guided and appraised.

**SELF-ASSESSMENT EXERCISE 2**

Describe PPBS as a management technique.

The characteristics of PPBS system include the importance attached to the examination and determination of objectives, the design of alternative programmes to achieve stated objectives, the choice of the best alternative and the design of projects with programmes and the allocation of resources to achieve the choice programmes and the emphasis on management on the basis of programmes. Furthermore, the emphasis on projections and performance. Thus the costs of programmes have to be projected into the years ahead and the year by the year programme achievement projected. Finally, the system is characterized by monitoring or appraisals based on data generated on the programmes and projects. The purpose is to provide a basis for decisions on effectiveness, worth, appropriateness of operations, levels of activity and services and modifications of current programmes and projects. (Akinyele, 1980:298).

## 4.0 CONCLUSION

Both MBO and PPBS are both framework for decision-making, budgeting, management and evaluations. Their objectives are to promote efficiency and effectiveness of an organisation.

## 5.0 SUMMARY

The MBO as a management techniques clarifies and operationalized objective and personnel within the organisation or programme while PPBS is a system that determines goals and the specification of the best performances to attain them, among other objectives.

### ANSWER TO SELF-ASSESSMENT EXERCISE 1

MBO, which means management by objectives, is a management technique when emphasizes establishing, clarifying and operationalizing objectives such that different sets of activities operations and personnel within the organisation or the programme could be directed and managed in accordance to and to achieve such.

### ANSWER TO SELF-ASSESSMENT EXERCISE 2

PPBS enhances management of activity through a three integrated system of planning, programming and budgeting which equips management with a better framework planning, particularly decision, the administration of the organisation and its programmes.

## 6.0 TUTOR-MARKED ASSIGNMENT

In your own opinion, how MBO does enhances efficiency in an organisation.

## 7.0 REFERENCES/ FURTHER READING

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# UNIT 2 GAME THEORY, ZERO-BASED BUDGETING, AND DECISION ANALYSIS AND DECISION TREE

**CONTENTS**

1.0 Introduction
2.0 Objectives
3.0 Main Content
    3.1 Game Theory
    3.2 Zero - Based Budgeting
    3.3 Decision Analysis and Decision Tree
4.0 Conclusion
5.0 Summary
6.0 Tutor-Marked Assignment
7.0 References/Further Reading

## 1.0 INTRODUCTION

In this unit, you are introduced to another three tools and techniques in policy analysis. These are Game Theory, Zero-Based Budgeting and Decision Analysis and Decision Tree. This will further improve your understanding of policy analysis.

## 2.0 OBJECTIVES

This unit will enhance your knowledge of tools and techniques in policy analysis through the explanation of more theories such as:

g a m e t h e o r y
z e r o - b a s e d b u d g e t i n g
d e c i s i o n a n a l y s i s a n d d e c i s i o n t r e e .

## 3.0 MAIN CONTENT

### 3. 1 Game T he ory

Game theory provides a means by which strategic decision are modeled and analysed. Its assumptions are presumed on zero-sum politics the out comes is dependent on choices mad by each of two or more players. The players usually make rational choices as a way of maximizing their benefits and minimize their worst possible out comes. The benefits of various alternatives open to a player are weighed and employment of an optional strategy is referred to by the Game theorist as rational behaviour.

The game theory is useful to policy makers because it encourages thoughtful examination of options before any action is taken in order to maximize gains and ameliorate the hardship of the target population. (Olaniyi, 1998:74)

## 3.2 Zero-Based Budgeting

This is a budgeting technique that emphasizes comprehensive annual review s and scrutiny in the allocation of funds to organisations and activities. It was introduced in the state of Georgia in the United State of America in 1973 and has since then been a commonte chnique in business and public organisations in many parts of the world. (Horn & Meter, 1975:445)

Zero-based budgeting requires that the present budget should be an entirely new activity and not based on old estimates and activity. A zero-based budgeting basic assumption is that the entire budget be built up based on current goals, reasoning, operations, reviews and target accomplishments. This contrasts the traditional budgeting, which is based on increments. Zero-based budgeting requires every department, programme or unit to justify every expenditure proposed annually in respect of goals, programmes or projects, operations and set accomplishment levels. Rather than justify only increases as in traditional budgeting, every proposal must be supported by a rational explanation. Budgeting ceases to be a mere routine but a comprehensive qualitative and rewarding annual exercise. (lkelegbe, 1996:56)

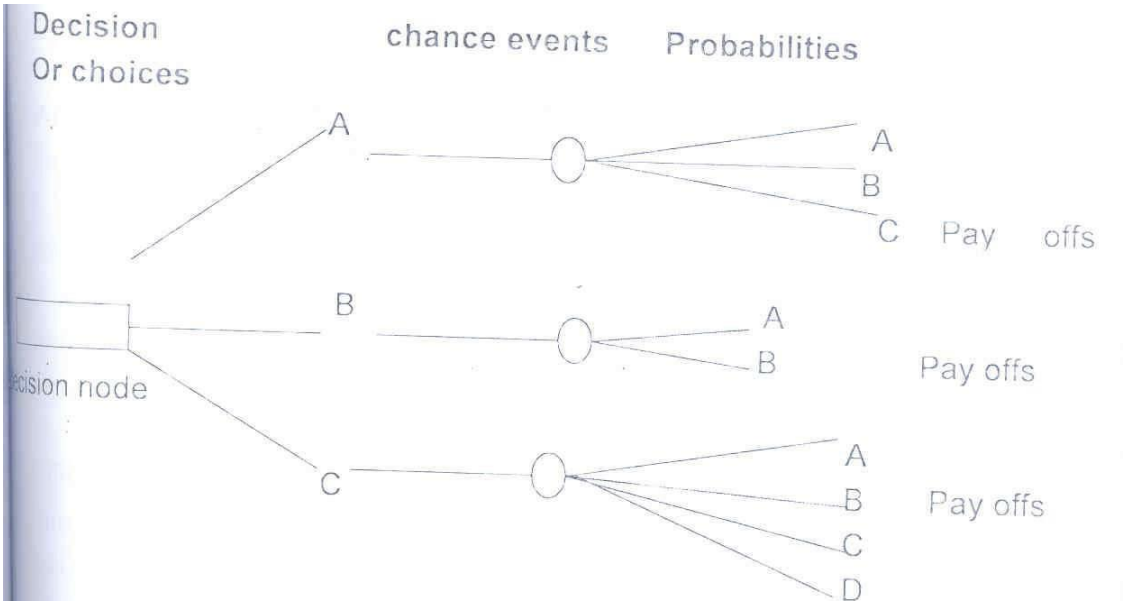
**SELF-ASSESSMENT EXERCISE 1**

What is Game Theory in policy analysis?

## 3.3 Decision Analysis and the Decision Tree

Decision analysis is used by decision makers to address uncertainties, probabilities, value pay-off to simplify and enhance decision making.

Decision tree is a decision making tool that presents graphically the sequence in the decision process, to enable easier understanding, management and choice in decision making. It is a diagrammatic model and a conceptual frame, which denoted precisely the flow or sequence, the structure, stages, tasks, activities and consequences in the decision making process. It therefore enables a summary of essential information on a flow chart, relating to a particular decision problem.




The decision diagram shown above consists of four components; namely decision nodes, chance nodes, probabilities and pay offs. A decision node is a square that denotes the point of decis ion between curses of action and from the decision node flows alternative or possible courses of action. Chance events are intervening events or changes that determine the consequence or out comes of alternative. The chance events are represented by circles in the flow diagram. Chance events actually denote
uncertainties they face each course of action. It provides the decision maker the uncertainties to be resolved. Probabilities are the possible out comes or results of chance event. The probabilities are calculated, in terms of percent chances of each out come. The probabilities are represented by branches from the circle (chance event) along with percent chances. Pay offs are the result of outcome of each alternative. It is the summary of the consequences of each possible combination of choice and chance. The pay-offs are recorded at the end of each branch (alternative). (Stoky and Zeckhanser).

The decision tree thus presents the decision maker with the sequence, the choices available, the uncertainties and
calculations of probabilities and outcomes. The calculated pay off and the percent chances of probabilities form the basis of decision.

**SELF-ASSESSMENT EXERCISE 2**

Describe zero-based budgeting.

## 4.0 CONCLUSION

The tools and techniques are important in policy analysis. It is for this vital reason that you are being taught all of them for basic understanding.

## 5.0 SUMMARY

The Game Theory, Zero-Based Budgeting and Decision Analysis and the Decision Tree are discussed in this unit. The last three tools and techniques are discussed in unit 14.

**ANSWER TO SELF-ASSESSMENT EXERCISE 1**

It is an assumption premised on rational choices as a way of maximizing benefits and minimizing worst possible out comes by each of two or more players.

**ANSWER TO SELF-ASSESSMENT EXERCISE 2**

It is a budgeting technique, which emphasizes comprehensive annual reviews and scrutiny in the allocation of funds to organisations and activities.

## 6.0 TUTOR-MARKED ASSIGNMENT

Decision analysis is used by the decision maker to address uncertainties, probabilities, value pay offs to simplify and enhance decision making.

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# UNIT 3 CRITICAL PATH METHOD, (CPM) PROGRAMME EVALUATION AND REVIEW TECHNIQUE (PERT) AND THE DELPHI METHOD

**CONTENTS**

1.0 Introduction
2.0 Objectives
3.0 Main Content
3. 1 G ame T h eo ry
3.2 Programme Evaluation and Review
3 . 3 T h e D e l p h i M e t h o d
4.0 Conclusion
5. 0 S u m ma r y
6. 0 Tutor-M arked A ssignment
7.0 References/Further Reading

## 1 . 0 I N T R O D U C T I O N

This unit discusses the last three of the tools and techniques. At the end of this unit, you should have understood very well how tools are used to analyse policies. This makes you a good policy analyst.

## 2.0 O B JE CT I V E S

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

know c r i t i c a l p a t h m e t h o d ( C P M )
know programme ev aluati on and revi ew te chnique (P ERT )
know t h e D e l p h i M e t h o d .

## 3.0 MAI N CO N T E N T

## 3.1 Critical Path Method (CPM)

CPM is a planning and control technique that is used based on network analysis. It is specifically used in the planning and control of programme/project operations and implementation.

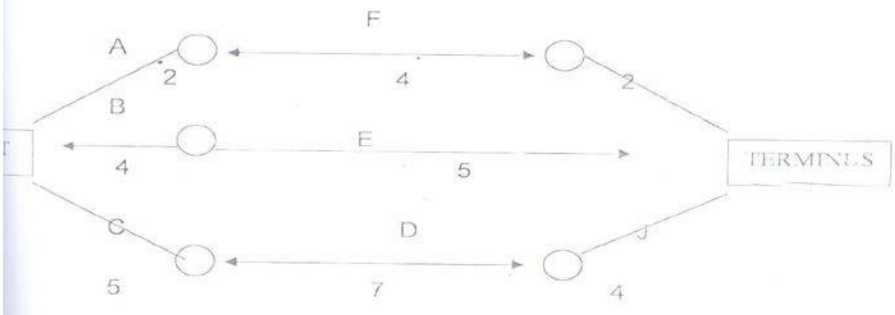
T h e C P M i n v o l v e s t h e m a n a g e m e n t f u n c t i o n s o f t h e d e t e r m i n a t i o n o f w h a t i s t o b e d o n e s u c h a s d e s i g n i n g programmes and activities to achieve planning. It also involves

the determination of when each activity is best initiated in relation to optimal achievement of programmes activities. Furthermore, it involves the determination of a time frame or projection of completion times for the activities, events and the entire programme. Lastly, it involves the determination of critical activities and thus a frame of preference for allocation of programme resources and efforts.

CPM is essentially a graphic presentation of routes, activities, actions and events that are to be undertaken in relation to a terminus, the programme's completion. It is a flow chart or a diagrammatic model denoting a plan of action listing all activities and events in a programme and delineating linkages or relationships between the activities and events and the sequence of events and activities, in terms of what should precede or done at the same time or done afterwards and finally specifying a projection of completion times for the activities and the entire programme. Thee activities, events, linkages and sequence are presented in arrows and paths.

The anchor of the arrow diagram is the start of the initiation of the programme. The arrows are the linkages between events, they actually represent the activities that lead to an event or milestone representation by nodes. The terminus is the programme completion or achievement. The scheduling activities in CPM are within a time frame. CPM helps in calculating time duration for achieving each event or activity related to programme achievement and for the entire programme. Under GPM, the earliest possible time that an event can be completed (EPO) is computed for each activity (arrow), as well as for the entire project. The amount of time (float) that an activity's time is also computed. Furthermore, the latest possible occurrence (LPO) or completion time, for each event (node) without negative consequence for programme duration is also computed.

A SIMPLE CRITICAL PATH METHOD CHART




Source: Ikelegbe 1996:60

These time computations, lead to the determination for the critical path. First, the computation determine the activities with positive float or precisely those whose achievement can be shortened or lengthened without affecting the achievement of any other activity or the entire programme's duration. Second, the computations determine the activities with zero float, or whose completion times control the entire programme.

**SELF-ASSESSMENT EXERCISE 1**

Analyse Critical Path Method (CPM).

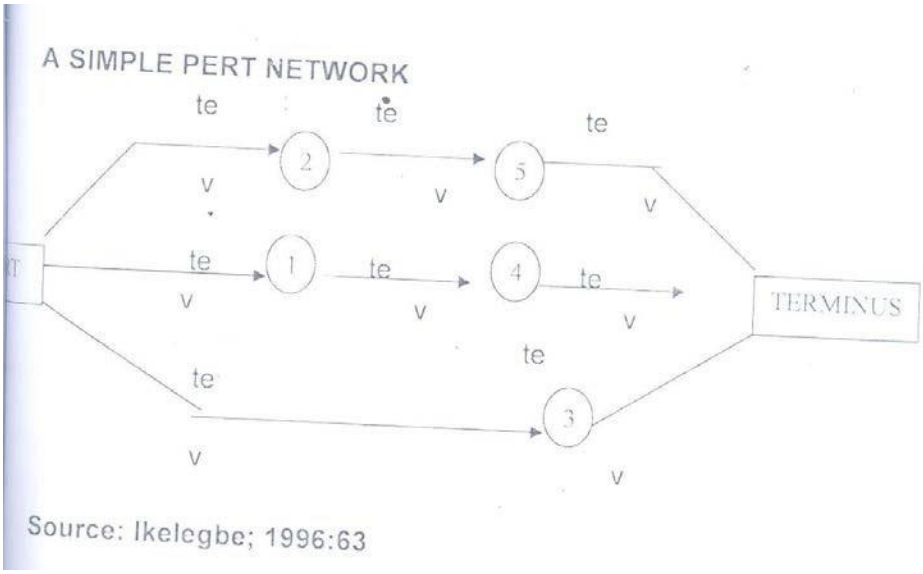
## 3.2 Programme Evaluation and Review Technique (PERT)

PERT is a planning and control technique based on network analysis. Like the CPM; PERT is a technique for planning and organizing tasks and activities in relation to programme completion. PERT was developed in the late 1950's. It emerged out of the need to provide techniques for the planning and management of a huge, complicated weapons programme, the Polaris weapons system in the United States.

PERT is a flow or diagrammatic model that denotes the tasks of a programme, the events, sequence, expected completion time and variance in completion times of events in a programme. PERT network is design in several stages. The first is a flow chaft, denoting all the events in circles, and the activities or processes with arrows connecting the previous events (statement of activities) with the pointed end, to the next events (completion of activity and thus of event.) The chart also denoted the terminal point, which is the completion of the entire project. The chart is a logical sequence of events and activities and infact denoted a network of interrelated and interconnected events and activities from programme statement to termination or completion. In the second stage, the expected completion times and variance in the completion times are calculated for each activity. The expected time estimate is the most likely or probable time the event would be completed. PERT builds in or accommodates uncertainties in its analysis and therefore variance is calculated. The time estimate (te) is calculated using three parameters, the most optimistic, the most likely and the most pessimistic. The formula $V = \frac{6 - a^2}{6}$ where. V is (variance) (pessimistic estimate) a is optimistic estimate and 6 is a constant. The expected time duration (completion time) and variance is put against each activity. The next stage is the determination of the critical

path to programme completion. The procedure here is almost similar to that of the CPM technique.

PERT is similar to CPM in several ways. Both are flow charts. Both calculate expected completion times. Both determine the crit ica l path. In fa ct CPM can be subs umed in P E RT analys is , because PERT involves CPM.



Source: Ikelegbe; 1996:63

PERT is however different from CPM some ways. First PERT is concerned with events, unlike CAM which is more concerned with activities or jobs. Second, PERT enables the calculation of variances in the expected completion times. This the most probable time for completing events given uncertainties is determined. This is unlike CAM, w hich is only concerned with determining expected completion time. Third PERT is the more rigorous and sophisticated of the two techniques. Infact PERT was designed as an approach to managing large-scale projects. It requires the aid of sophisticated computer programmes to manage and monitor requirement, calculations and charts. The PERT technique particularly has advantage in handling large-scale programmes with high uncertainties. While CAM is more applicable to a well-defined programme, with single management, PERT can handle complex programmes with multiple and overlapping management, logistic problems and imprecise objectives.

Like the CPM technique, PERT is useful in the planning, operations and management of programmes. As a matter of fact the

advantages of CPM to planning, control and management, as well as applications and uses of CPM also apply to PERT. PERT has advantage over CAM because of its rigour, sophistication to handle large scale complex programmes and uncertainties.

**SELF-ASSESSMENT EXERCISE 2**

Describe PERT.

## 3.3 The Delphi Method

The Delphi Method is a technique of forecasting or prediction applicable in situations of inadequate database or analogy to provide empirical predictions about future events and relationships. In such situation, the other options for forecasting are intelligent and knowledgeable guesses of expert from relevant or related fields on the issues. This is precisely what the Delphi is about. It was developed by Olaf Halrner, Norman Dalkey and Theodore Gordon in the early 1960's.

The Delphi method is a technique for eliciting expert opinion and prediction of issues of interests. More specifically, it is a means of managing expert prediction to avoid common errors and disadvantages of expert committees. The purpose is to obtain the best unbiased, uninfluenced a true opinion of expert on the issues of interest. In Delphi, experts interact the basis of opinion, arguments, explanations and forecast. However, the experts do not interact personally.

The method involves first, the selection of a committee or panel experts by the agency or organisation that has jurisdiction over the topic, issues or policy in question. Second, is the management of several stages of the Delphi. Third, is the compilation of responses and analysis. The management of Delphi stages of operation is very important. There are four stages. In all the stages or rounds, personal contacts are avoided. In the first stage, unstructured questionnaires are presented to member to elicit open responses on predictions of events and their timing. In the second round, the opinion of participants are circulated without mention of source. Participants are presented with forecast, dates and arguments, such that they may react to the prediction estimates, timing of events or forecast, or to reveal their former prediction or opinion in the light of circulated opinion of others. They are also requested to provide explanation as to their present opinion. In the third round, the participants are again presented with the predictions, events, dates and explanation in

the second round, without disclosure of the source. Members are again given opportunity to reconsider their earlier forecast in light of general predictions and explanations of group members. Members deviate considerably from the opinion and forecast of others are asked to expert their position. The fourth round beings with the circulated of dates, arguments and explanations from the third round. Participants are then asked to make it forecast. These are then collated and analysed.

Some of Delphi requirements are meant to avoid some problems often emanate in panels or committees. These include the undue influence eloquent, vociferous, tenacious and logical advocates and arguments, tendency of face saving, the inability to and infact pain associated with changing one's idea or opinion, the tendency to associate with the views, opinion arguments of the topmost expert in the panel or even outside and the tendency towards minimising disagreements and emphasizing agreements or areas of agreements. Some of these problems arise from the group interactions with and between members. The Delphi method by avoiding personal interactions by its various rounds of forecast, avoid to some extend these problems.

The key advantage of the Delphi method, is that it enables expert opinion or forecast, based on consideration and reconsideration of available expert opinion by participations. In addition, it avoids interpersonal interaction, which often times, blur objectivity and individual contributions in committees and expert panels. The problems however with the technique are the reliability of forecast. In Delphi, consensus or convergence of opinion is perceived as enhanced reliability of forecast. The ultimate usefulness of the Delphi method how ever depends on accuracy of forecast or forecasting success.

## 4.0 CONCLUSION

The analyses of last tools and techniques in this chapter concluded their discussion in this course. The final unit shall treat a case study of industrial policy in Nigeria.

## 5.0 SUMMARY

The unit discussed the Critical Path Method Programme Evaluation and Review Technique, and the Delphi Method. These tools are the last techniques in policy analysis to be discussed in this course.

**ANSWER TO SELF-ASSESSMENT EXERCISE 1**

CPM is a planning and control technique that is based on network a nalysis. It is specifically use in the planning and control of programme/project operations and implementation

**ANSWER TO SELF-ASSESSMENT EXERCISE 2**

It is concerned with events and enables the calculation of variance in the expected times.

## 6.0 TUTOR-MARKED ASSIGNMENT

Critically analyse the Delphi Method.

## 7.0 REFERENCES/ FURTHER READING

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# UNIT 4 A CASE STUDY OF INDUSTRIAL POLICY OF NIGERIA

**CONTENTS**

1.0 Introduction
2.0 Objectives
3.0 Main Content
    3.1 Introduction
    3.2 Policy Objectives
    3.3 Incentives to Industry
    3.4 Institutional Framework
    3.5 Relevant Laws and Regulations
4.0 Conclusion
5. 0 S u m ma r y
6.0 Tutor-Marked Assignment
7.0 References/Further Reading

## 1.0 INTRODUCTION

The year 1986 was a significant year for manufacturing industry in N igeri a. In July 1986, N igeri a e mba rked o n a S tructural Adjustment Programme (SAP) whose major features include substantial deregulation of import and export practices and easier access to foreign exchange market where the exchange market where the exchange rate for the naira is determined by the interplay of market forces. Under the SAP, the private sector was expected to play a vital role in the manufacturing sector.

In recognition of the vital role the manufacturing sector has to play in the economic recovery and growth of the nation, government introduced significant changes in the legislation governing the manufacturing sector to improve the investment climate in the economy Hence the Federal Ministry of Industries produced a national industrial policy in 1986, which was aimed at ending the major barriers that had hampered industrial investment in Nigeria. But whether the policy has achieved its objective or not will be left to you to conclude after reading the policy aims.

## 2 . 0 O BJEC TIVES

To enable you know the following about industrial policy in Nigeria:

i t s b a c k g r o u n d
p o l i c y o b j e c t i v e s82

incentivestoindustry
institutionalframework
thescheduledenterprises.

## 3.0 MAIN CONTENT

### 3.1 IndustrialisationinNigeria:TheBackground

Throughout most of the post-independence era, Nigeria pursued an industrialisation strategy based on import substitution. As the economy benefited from increased foreign exchange earnings from petroleum exports in the early to mid 1970's, ambitious and oft en c os t l y i n dus tri a l pr oj e ct s w er e e mba rke d u pon b y government. Private Sector investment in manufacturing grew too, taking advantage of an array of government incentives such as the Pioneer Status and Approved Users Scheme.

By the late 1970's, a clear picture of the structure of the manufacturing sector had emerged. The sector was characterised by:

a. high geographical concentration;
b. high production costs
c . low va lue - a dde d ;
d. serious underutilization of capacity!
e. high import content of industrial output and
f. low level of foreign investment in manufacturing.

Most of the problems of the manufacturing sector have often been attributed it to inadequate infrastructure, lack of executive capacity poor utilisation of available manpower and absence of a sound technological bas e. M any more reasons could probably be adduced; but by the early 1980's, as the country's foreign exchange earnings declined significantly, the high import dependence, of the manufacturing sector became a serous liability on the economy.

By this time too, government had invested heavily in a diversified portfolio of industrial projects including salt, iron and steel, cement, sugar, pulp and paper and' fertilizers. The poor returns on these projects, however, could not justify the enormous public funds that had been committed to their execution. Infact, many industrial projects, in which huge amounts had been expended, remained largely uncompleted.

Against the background of these problems and after several exhaustive studies, it became clear that a restructuring of the manufacturing sector was required. To cope with the problems of this

sector and the economy in general, Nigeria embarked on a Structural Adjustment Programme (SAP) in July, 1986. The major features of SAP include increased import liberalisation and easier access to foreign exchange market (F EM), where foreign exchange rates for Naira are determined by an interplay of market forces.

SAP has important implications for government and, industry alike. Among other things, it has brought about government's reappraisal for the regulatory environment, the structure of protection for local industries and the package of incentives available. For the private sector, and industrialists generally, it will de man d a mor e s e r i ou s effort t o c on t rol co s t s, i ncr eas e production efficiency and stay competitive. SAP thus marks a watershed in the evolution of the manufacturing sector in this country.

## 3.2 PolicyObjectivesandStrategies

### i. PoliceObjective

The objective of government industrial policy shall be to achieve an accelerated pace of industrial development. In this regard, the industrial sector would become the prime mover of the economy.

The elements of this objective include:

a. Providing greater employment opportunities;
b. Increased export of manufactured goods;
c. Dispersal of industries;
d. Improving the technological skills and capability available in the country
e. Increased local content of industrial output
f. Attracting foreign capital, and
e. Increased private sector participation in the manufacturing sector.

### ii. Employment Generation

The social and political consequences of a high rate of unemployment make it imperative that the industrial sector should aim at creating job opportunities. This vital role has become even more crucial to be economy in view of the, large number of trained technical manpower for which the industrial sector is yet to find gainful employment.

### iii. Increased Export of Manufactured Goods

To diversify the nation's foreign exchange earnings' base and strengthen the manufacturing sector through exposure to international

competition, government will actively encourage a more export-oriented approach by the manufacturing sector. A s a substantial part of our foreign exchange earnings is used up by the industrial sector, is expected that industry should try to contribute more to foreign exchange earning. This represents an important policy shift.

**iv. Promotion of Nationwide Industrial Development through Industrial Dispersal**

To discourage over-concentration of industries in a few industrial centres and to promote national integration, the nation needs rational dispersal of industries. As a corollary, rural areas and others hitherto neglected areas of the country will increasingly begin to feel the positive impact of industrial development.

**v. ImprovingTechnologicalSkills**

To create and maintain a modern industrial society, the average level of technological competence of the Nigerian population needs to be significantly raised.

The quality and availability of technical education and industrial training, the content and level of industrial research being undertaken in the nation's industries and research institutes will all contribute to the achievement of this vital objective.

**vi. Increase Local Content**

This will be achieved mainly through increased use of local raw materials and further backward integration by existing industries clearly, as local content of industrial output increases, this will affect the general. level of economic activity and open up employment opportunities across sectors.

**vii. Attracting Foreign Capital**

Attracting foreign capital into the manufacturing sector is crucial to the attainment of many of the policy goals of government. Indeed, government hopes that the restructuring of the economy through SAP and other measures taken would make the country more attractive to foreign capital.

**viii. Increased Private Sector Participation**

The realization of government objective of accelerated industrial development hinges critically on increased private sector participation in

the manufacturing sector dwindling government financial resources, ever-increasing socio-economic responsibilities to a rapidly increasing population and past experience with many public sector industrial projects have all combined to make increased private participation an important policy objective.

**Strategies and Policy Measures**

In pursuit of the central objective of accelerated industrial development, government shall take a number of steps, involving.

a. encouraging increased private sector participation in the industrial sector, and privatizing and commercializing holdings in certain existing industrial enterprises;
b. Playing a catalytic role in establishing new core industries; providing and
c. improving infrastructural facilities;.
d. Improving the regulatory environment;
e. Improving the investment climate prevailing in the country;
f. Es tablishing a clear s et of industrial priorities, and
g. harmonising industrial policies at Federal, State and Local Government levels.

**Employment Generation**

The major policy tool through which government plans to enhance employment generation is the promotion of small scale industries. In the light of SAP economic realities "small scale" industries are defined as those with total investment of between one hundred thousand naira (100,00) and two million naira (N2,000,000) exclusive of land, but including working capital. "Micro/Cottage industries; are defined as those whose total investment cost does not exceed on hundred thousand Naira (N100,000) including working capital but exclusive of land. Government therefore accords high priority to the small and medium scale enterprise (SME) projects whose main objectives are to develop in Nigeria, a broader base of entrepreneurial culture, a core of trained manpower and an effective institutional structure' capable small and medium scale enterprises with different organisations working at different levels, government considers it necessary to set up a co-ordinating umbrella organisations called "Small Scale Industries Corporation" charged with the following responsibilities among others:

a. promotionofsmall-scaleindustries;
development of policies and programmes for small scale industries;
b. provisionofextensionservices;

c. meeting the training needs of s mall scale industries
d. provision of technical and management assistance, and
e . pro vi s io n o f fac i l i ties fo r c re dit de li v ery .

A key government strategy for the development of this class of industries is helping more actively to meet financing needs of small-scale industries. Hitherto the Nigerian Bank for Commerce and Industry had been the major medium for providing funds for small scale industries. The Federal government shall evolve small-scale b a s e d m e c h a n i s m o f c r e d i t d e l i v e r y , a l l o w i n g s m a l l - s c a l e industrialists greater acces s to credit facilities. To this end governme nt pl an s t o inv olv e the fo llow i ng mix o f fi nancia l instit utions.

a. Five (5) commercial banks
b. Three (3) merchants banks
c. The Nigerian Bank for Commerce and Industry (NBCI), The Nigerian
d. Agricultural Co-operative Bank (NACB) and
e. State Development finance corporations

Government shall also strive to encourage the growth of small scale industries through:-

(a) the establishment of industrial estates with appropriate i n f r a s t r u c t u r a l f a c i l i t i e s h e n c e f o r t h t h e F e d e r a l Government will assist States with matching grafts in the establishment of industrial estates for the promotion of small scale industrial estates for the promotion. of small scale industries. The administration of such estates, however; will be left to the states.

(b) In addition; the ongoing Entrepreneurial Development Programme (EDP), the Working for Yourself Programme (VVFYP) and the. Training the Trainers Scheme will be further intensified and improved upon a s t h e s e a r e a v e n u e s f o r d e v e l o p i n g t h e c o r p s o f entrepreneurs needed in the economy.

(c) The Small Scale Industries Corporation will accord -high priority to industries engaged in the manufacture of basic needs including food processing and agro-industries, household equipment manufacturing industries, building material industries, industries for manufacturing low cost transport equipment, pharmaceutical industries, etc.

**Increasedexportofmanufacturedgoods**

Government strategy for increased export of manufactured goods rests on making Nigerian exports more competitive internationally and export activities more profitable for industrialists.

The major planks for this strategy are:

a. The regulatory environment,
b. promotion of export free zones
c. liberalisation of access to foreign exchange and
d. allowing a market-determined exchange rate for the Naira
e. fiscal and financial incentives.

**The Nigerian Export Promotion Council** is thep remier organisation responsible for the administration of various incentive schemes and measures aimed at encouraging exports. It is also responsible for administering the Export Development Fund.

**Dispersalofindustries**

In pursuit of this objective local government areas (LGAs) of the country have been grouped into three zones:

**Zone 1:** Industrially and economically developed local government areas;
**Zone 2:** Less industrially and economically developed local govern merit areas;
**Zone 3:** Least industrially and economically developed local government areas.

**Thecriteriaforsuchclassificationinclude:**

a. industrial production in gross and per capita bassi
b. social and economic infrastructures available and
c. level of labour market development.

Through an array of incentives, including a programme of industrial layouts and craft villages development, government at various levels plans to make all areas attractive to new investment.

**Improving technological capacity:**

Meaningful industrial development will necessitate the widespread acquisition of technical know-how by Nigerians. Every effort will be made to acquire the level of industrial technology that would establish a self-reliant economy. Government shall actively support industry's research

and development efforts and promote agencies engaged in industrial research and manpower training.

The Industrial Development Centres (IDCs) represent an important instrument [or improving technological capacity. The IDCs were created to ensure that small and medium scale enterprises (SME) not ordinarily in a position to employ highly skilled manpower, such as managers, engineers and technical staff, are assisted to solve their operational problems. Specifically, the functions of IDCs are to provide:

a. technical advice and assistance regarding the selection f the proper manufacturing process for the product in view, selection of the right machinery, equipment and raw materials for the purpose.

b. assistance in the installation and operation of machinery.

c. on-the-job training of artisans in the handling of machines and simple tools.

d. assistance in the repairs of machinery and tools and tooling facilities of IDC's workshops.

e. advice and assistance to resolve operational problems encountered by SMEs.

f. advice and assistance to small scale industrialists to improve the design and quality of their products;

g. training of, proprietor and supervisory staff of SME's in modern management methods and practices suited to their enterprises;

h. marketing counselling regarding pricing, packaging, sales strategy, advertising and. marketing methods for the promotion of sales of their products, and

i. feasibility reports for intending small sc3 industrialists.

**Increased Local Content**

Increasing the local content of Nigerian industrial output is a central objective of government industrial policy. Finding suitable local raw materials and promoting the' use by industry is one element of the strategy by which government plans to realize the objective.

The Raw material and research and Development Council will allocate resources to research and development of identified raw material substitutes or alternatives.

Government will active encourage new industries with greater linkages to the rest of the economy. Existing industries will be encouraged to pursue further backward integration.

Assistance in the commercialization of research results represents another strategy which government plans to adopt in order to raise the local content of manufacturing output.

**Attracting Foreign Capital**

Accelerating the pace of industrial development will require enormous capital investments. While government welcomes domestic private capital investments, it also recognises that such investment may not be available in the required volume.

Government therefore welcomes foreign capital into the manufacturing sector. Indeed, toe Structural Adjustment Programme was embarked upon with the prospect of increased inflow of foreign capital.

The main component of government strategy for attracting foreign capital is the liberalization of access to foreign exchange for individuals and companies provided through the foreign exchange market (FEM). Easier capital and dividend repatriation through less cumbersome procedures is a by-product of recent changes in the regulations.

Another clement of government strategy consists of amendments to the Nigerian Enterprises Promotion Decree 1977 (NERD). These amendments are designed to open up more areas for foreign investment. Thus in the amended Decree, only one list of scheduled enterprises instead of three have been retained and which list contains businesses exclusively resolved for Nigerians alike arc now free to own up to 100% equity, separately or in partnership, in, any unscheduled enterprises. Foreigners are welcome to invest in the scheduled enterprises with a minimum capitalisation of twenty million naira (N20,000,000.00).

Government will continue to cultivate and improve bilateral trade links with other countries as a means of encouraging foreign capital investment in the economy.

**Increased Private Sector Participation**

The first main strategy by which government seeks to achieve increased private sector participation in manufacturing is the privatisation/commercialization of public sector investments.

In this connection, Government has completely divested itself of holdings in 67 companies. In addition, while some companies will be fully commercialised, others especially those considered strategic for the moment will be partially privatised/commercialied. These arrangements as indicated hereunder are embodied in Decree No. 25 of 1988.

Enterprises in which 100% of Equity held by The Federal Military Government shall be Fully Privatised.

**Role of the Private Sector**

The various enterprises being privatise were set up when revenue accruing to Government were considerable. In a few cases, however, the private sector at that time was slow in reacting to the investment opportunities that existed either due to the heavy capital outlay involved or lack of technology and skill To close the gap and provide the goods and services to the public, government took the initiative to invest in those activities. Indeed, during the Third National Development Plan period certain economic activities were either ex clu si vel y res erved for go ver nment o r fo r maj ori t y g o v e r n m e n t i n t e r e s t . T h e s i t u a t i o n t h a t g a v e r i s e t o t h e predominance of government in some economic activities has, however now changed. What is more, the Organised and even the informal sector have grown considerably over .the years.' There is need to release government res ources for the provision and development of infrastructure etc. Government therefore welcomes and actively encourages a more significant role for the private sector in the restructuring of .the economy and in' improving the long term growth and development prospects. Government has in addition opened up hitherto restricted areas in manufacturing to the private sector In defence industries, however, government shall establish regulatory mechanism guiding investment. Furthermore, government will maintain continuous contact and consultations with the private sector on issues of concern to industry. In view of the foregoing, government expects the private sector to seize the opportunity and play their rightful role in the economy.

**Debt Conversion Programme**

In addition to the privatization/Commercialisation exercise and in a determined effort to reduce the debt burden of the country and

thereby improve the investment climate especially in the critical ar eas of the ec onomy, G over nme nt has es tabl ished a D eb t Conversion programme(DCP). The objectives of the Programme are:

a. to improve Nigeria's external debt position by reducing the stock of outstanding foreign currency denominated debt in order to alleviate the debt service burden;

b. to improve economic environment attractive to foreign investors;

c. to serve as an additional incentive for the repatriation of flight capital; ,

d. to stimulate employment generating investments in industries with dependence on local inputs;

e. encourage the creation and development of expert base of the Nigerian economy, and

f. to increase access to appropriate technology external market and other benefits associated with foreign investment.

For the effective implementation of the programme, Government has set up a Debt Conversion Committee whose secretariat is located at The Central Bank of Nigeria, Tinubu Square, P.M.B. 12194, Lagos.

Prospective participants of the programme, whether corporate or non-corporate, national or foreign, are required to obtain the prior approval in principle of the Committee in order to qualify for participation. Detailed guidelines covering rules and regulations as well as application forms are obtainable from the secretariat of the Debt Conversion Committee.

**SELF-ASSESSMENT EXERCISE 1**

What led to the formulation of industrial policy in Nigeria?

## 3.3 Incentives to Industry

In order to induce greater support of the industrial development objectives outlined in this document and considering the need to promote a dynamic, efficient and balanced manufacturing sector, a package of incentives has been approved by Government. These incentives are designed to promote investment, employment, product mix and various other aspects of' industry. In addition the nature and application of these incentives have been considerably simplified. Li general, the package of incentives can be grouped into five. These are:

i. Fiscalmeasuresontaxationandinterestrates
ii. Effectiveprotectionwithimporttariff
iii. Export promotion of Nigerian Products
iv. Foreign currency facility for international trade
v. DevelopmentBanking

## 3. 3. 1 Taxation

Fiscal measures have been fashioned out to provide for deductions and allowances in the determination of taxes payable by manufacturing enterprises. The fiscal measures are targeted at aspects of industrial activity as follows:

### i. Pioneer Status

By the provision of the Income Tax Relief Act 1958 Amendment by Decree No. 22 of 1971), public companies are granted specific tax holiday on corporate income. The object of the Decree is to encourage the establishment for such industries that government considers beneficial to Nigeria. During the period of the exemption, the companies are expected to achieve a reasonable level of profitability. To benefit from the Decree, the relevant company (or the product) is declared a pioneer industry (or pioneer product). The Act is applicable to both public and private limited liability companies.

Furthermore, the relief covers a non-renewable period of five years for pioneer industries and seven yeas for such industries located in economically disadvantaged areas.

Additional tax concessions are available to industrialists who take initiative in the following areas:

a. local raw materials development
b. localvalueadded
c. labourintensiveprocesses
d. export-oriented activities
e. in-Planttraining
f. investment in economically disadvantaged areas.

Details on these concessions' are embodied in a. separate pamphlet on incentives to industries. IDCD is responsible for the administration of these and other incentives to industry on application.

### ii. Tax Relief for Research and Development

Industrial establishments are expected to engage in Research and Development (R & D) for the improvement of their processes and products. Up to 120% of expenses on R & D are tax deductible, provided that such R&D activities are carried out in Nigeria and are connected with the business from which income or profit is derived. F or the purpose of R & D on local raw materials, 140% of expenses are allowed. Where the research is long term, it will be regarded as a capital expenditure and with written off against profits. In administering this tax relief, the Federal Ministry of F i nance s hall con sult the F ed eral M inis try of S ci enc e and Technology to determine the genuineness of such R&D activities. The results of such research could be patented and protected in accordance with internationally accepted industrial property rights.

### iii. Companies Income Taxation Act

This act has been amended in order to encourage potential and existing investors and entrepreneurs. Henceforth the following reliefs and regulations shall apply:

a. Corporate Tax Rate is 40% from 1987

b. Penalty for failure to apply on due date is 10% per annum of the outstanding amount;

c. Section 49(3) of the Companies Income Tax Act requires companies to submit detailed tax computations along with t h e i r r eturnsand audited accounts; and Industrial Inspectorate department acceptance Certificate.

d. When a tax payer wants to appeal against a court decision, e h disputed tax shall be paid. The body of Appeal Commissioners as well as the courts have been em-pow ere d to i mpos e a penalt y o f 10° /0 w here an a ppe al proves to be frivolous or groudless.

e. Power to obtain information by a tax authority on banks' cus tomers w hich ha s bee n provi ded i n the In come Ta x Management Act is also applicable to Companies Income Tax Act 1979.

f. Capital Allowance: The Current Rates Applicable in Respect of Capital Allowances are:

**Qualifying Expenditure in respect of:**

| | | Initial allowance %. | Annual allowance |
|---|---|---|---|
| a. | Building Expenditure | 5 | |
| b. | Industrial Building Expenditure | 15 | 10 |
| c. | Mining Expenditure | 20 | 10 |
| d. | Plant Expenditure (excluding furniture and fittings) | 20 | 10 |
| e. | Furniture and Fittings | 15 | 10 |
| f. | Motor Vehicle expenditure | 25 | 20 |
| g. | Plantation Equipment Expenditure | 20 | $33^{1/2}$ |
| h. | Housing Estate Expenditure | 20 | 10 |
| | Ranching and Plantation Expenditure | 25 | |
| (j) | Research and Development Expenditure | 25 | $12^{1/2}$ |

The amount of capital allowances to be enjoyed in any year of assessment in restricted in Nigeria to 75% of the assessable profits in case of manufacturing companies and $66^{2}/_{3}$% in case of others, except that companies in agro-allied industry are not affected by this restriction. If the leased assets are used in agro-allied company, the full 100% capital allowance claimed will be granted. Moreover, where the leased assets are agricultural plants and equipments, there will be an additional investment allowance of 10% on such expenditure.

**iv. Tax Free Dividends**

An individual or a company driving dividends from any company as from 1987 shall enjoy tax free dividends for a period of 3 years of:

a. the company paying the dividends is incorporated in Nigeria

b. the equity participation is imported into the country between 1st January 1987 and 31st December, 1982; and

c. the recipient's equity in the company constitutes, at least, 10°A) of the share capital of the company.

In addition to (a), (b) and (c) above, if the company paying (vi) the dividends is engaged in Agricultural production within Nigeria or processing of such Nigerian agricultural products produced within Nigeria or the production of petro-chemicals or liquefied natural gas, the tax free period shall be 5years.

(v) Tax Relief for investments in Economically Disadvantaged Local Government Areas.

Entrepreneurs who invest in economically disadvantaged local government areas are entitled to special income tax and other concessions. These include:

(a) Seven years income tax concessions under the pioneer status scheme
(b) Special concessions by relevant State Governments Additional 5% over and above the initial capital depreciation allowance under the Company Income Tax Act (Accelerated Capital Depreciation).

For the purpose of administering these incentives, the country has been grouped into the following zones:

**Zone 1 -** Industrially and economically developed Local Government Areas,
**Zone 2 -** Less industrially and economically developed Local Government Areas and
**Zone 3 -** Least industrially and economically developed Local Government Areas.

Less industrially and economically developed Local Government Areas are defined in terms of inadequacies of:

- Industrial production in gross and per capital basis available
- Social and Economic Infrastructures
- Level of labour market development.

**Double Taxation (Income Tax Act 1979)**

By Decree No. 4 1985 (Miscellaneous Taxation Provisions) the Income tax Act of 1979 was amended. The effect of the amendment was to eliminate double taxation on investment income.

**Group of Companies Taxation**

Companies can now pay interim company dividends without any double taxation since the amendment on franked investment income came into effect on 1st January 1985.

## 3.3.2 Effective Protection

Tariff levels provided a simple and straightforward measure of protection against imports but may not provide the total effect anticipated. Government therefore puts in place other measures to ensure that locally produced goods are competitive in both domestic and export markets.

**i. Customs and Excise Regime**

Pursuant to the trade liberalisation policies of the Government, a new Customs, Excise Tariff etc (consolidated) Decree has been published and which took effect from 1st January 1988. The Decree (No.1 of 1988) which repeals those of 1984, makes provisions for the imposition of advalorem customs and excise duties payable on goods imported and manufactured in Nigeria basing its classification on the new Harmonised System of Customs Tariff. The essence of the review is to give effective protection to local industries and to promote further investments, competition and efficiency. Rather than outright prohibition, the new dispensation favours the use of tariff for the purpose of effectively protecting local industries, enhancing revenue generation, combating smuggling and encouraging exports.

**ii. Dumped and Subsidised Goods**

The Customs Duties (Dumped and Subsidised Goods) Act 1958 permits when necessary, the imposition of a special duty on any goods, which are dumped in Nigeria or subsidised by any Government or authority outside Nigeria.

The Provision of this act will be invoked if the Government is satisfied that:

(a) material injury will be threatened or caused to potential or

established industries in Nigeria by the entry of subsidised or dumped goods into the country; and

(b) the imposition of a special duty will not conflict with Nigeria'so bligations under any international agreement such as the General Agreement on Trade and Tariffs (GATT).

## 3.3 Export Promotion

A variety of measure ranging from export insurance to outright grant to export oriented industries are applicable to manufacturers producing for export. These have been articulated in Decree No. 18 of 11th July, 1986.

### i. Import Duty Drawback

Under the Customs (Duty Drawback), Regulations 1959, importers can claim repayment of import duty paid for materials used in producing export goods. Repayment will be made in full if materials are imported for use in the production of goods which are exported. In the partly duty-paid ingredients the Customs and Excise department may grant bona fide applicants a "fixed rate" drawback on proof of exportation of such goods or their disposal in an approved manner. The objective of the duty drawback is to encourage the production of various export goods as a way of diversifying the economy away from oil. To encourage non-oil export development and to enable exporters compete effectively on international markets, a duty drawback scheme involving and duty suspension for qualifying exporters backed by bankers' guarantees, ha been put in place.

### ii. Export License Waiver

No export license is required for the export of manufactured or processed products. Also exports have been exempted from excise tax.

### iii. Export Credit Guarantees and Insurance Scheme

In order to make Nigerian products compete effectively in the international market as well as to insure genuine exporters against some political and other risks including default in payment, government has approved the establishment of an export credit guarantee and insurance scheme. Exporters will also be in a position to grant their customers some credit facilities.

**iv.** The Export Development Fund shall be used to provide financial assistance to private exporting companies to cover part of their initial expenses in respect of export promotion activities.

**v. Export Expansion Fund**

The export Expansion Fund shall be used to provide cash inducement for exporters who have exported a minimum of .N150,000 worth or semi-manufactured or manufactured products.

**vi.** Export Adjustment Scheme Fund has been established to serve as a supplementary export subsidy. Proceeds will be used to compensate exporters for:

a. high costs of production arising from the deficiencies

b. purchasing commodities at Prices higher than prevailing world market prices out fixed by government, and

c. other factors beyond the control of the exporter.

**vii. Rediscounting of Short Term Bills for Export**

This facility will enable all exporters to rediscount their short term bills under a scheme provided for in the Central Bank of Nigeria (CBN) (Amendment) Act 1967.

**viii. Capital Allowance**

Additional annual capital allowance of 5% on plant and machinery for "manufacturing exporters" (those that export at least 50% of their annual turnover); provided that the product has at least 40 percent local raw materials content or 35 percent value added.

**ix. Tax Relief on Interest Income**

The Companies Income Tax Act 1979 has also grant tax relief on interest accruing from any loans granted to aid investment in export oriented industries.

## 3.3.4 Foreign Currency Facility

A new trade and exchange rate regime has been adopted by government to ensure efficient and competitive local production. Adjustment in the exchange rate regime will provide greater access to external markets than before to industries relying extensively on local resource

endowments. The facility also provides for easier movement of investible funds, goods and services in and out of Nigeria.

### i. Foreign Exchange Market

The foreign exchange market came into operation in September 1986 resulting in the abrogation of import levy and import licence. The market also provides manufactures easy access to foreign exchange.

### ii. Repatriation of Imported Capital

An approved "Status" permit for imported capital investment is conferred on companies with non-resident investment in cases where the original investment was imported in the form of equity either by way of cash and/or plant and machinery. The purpose of this "Status" is to facilitate timely repatriation of remittances or other capital claims.

### iii. Payment of Techn ology Fees

In orders to ensure effective assimilation and diffusion of foreign technology within a specific timeframe at a fair and equitable contractual and payment terms; the rate for payments in technology transfer transactions have been reviewed. Fees for technical services are based on net sales (rather than profit before tax).

Furthermore the rates applicable are as follows:

**Royalty:** royalty in respect of know-how, patents and other industrial property rights shall now range from 1 5% of net sales.

**Technical/Management Services:** fees in respect of technical assistance/management services shall also range from 1-5% of net sales.

The upper-level of the ranges above will be considered as incentive remuneration or compensations allowed to observing cases where:

(a) the local value added is not lower than 7 0 % or by the products are intended for export market and the fees for these services can be serviced from the export proceeds, or

(b) the benefits derived by the enterprises are considered desirable in the national interest,

### iv. Foreign Currency Domiciliary Account

Banking regulations in Nigeria make it possible for exporters of non-oil products to retain the proceeds of export in bank accounts denominated in foreign currency. Such accounts are operated at the owners discretion, for external transactions or conversion to Naira but in accordance with existing Central Bank of Nigeria guidelines.

## 3.3.5 Development Banking

Industrial development banks have been set up at both Federal and state levels to offer specialised services to industry. Paramount among these services is the provision of soft loans and advances to large, medium, small scale and cottage type industries on concessionary terms. These concessions are reviewed regularly in line with policy objectives of governments. Development Banks include, among others Nigerian Bank for Commerce and Industry (NBCI), and the Nigerian Industrial development Bank (NIDB), state Investment corporations, etc.

### Guidelines to Investors and the Institutional Framework

This last is designed to provide investors with information on government requirements for establ ishing businesses or industries in Nigeria and the relevant government institutions involved in the process.

### Guidelines to Investors

The main requirements for the establishment of business are:

(a) Business Permit including permit to employ expatriates

(b) Approved status of ensure that imported capital can be repatriated

(c) Investment guarantee approvals

(d) Approvals covering pre-investment technical fees agreement.

For investment in specific industries such as fishing, pharmaceuticals etc. additional requirement s are available in the Guide To Investors published by the Investment, information and Promotion centre of the Federal Ministry of Industries.

A new institutional framework has been established by Government to administer the business/industry related approvals listed in paragraph 4.1

(a)-(d). The one stop approval agency known as the Industrial Development Co-ordinating Committee (IDCC) is located in the Federal Ministry of Industries and consists of seven ministers who are charged with the responsibility to ensure that all required approvals are given within sixty days. This new arrangement has removed the need to get required approvals from various Government agencies as was previously the case.

**i. Expatriate Quota**

The IDCC will ensure that expatriate quotas are issued. Businesses with a capitalisation of five million Naira (N5,000,000.00) and above are entitled to a maximum automatic quota of two positions while those with a capitalisation of ten million Naira (10,000,000.00) and above are entitled to four automatic quota positions All other requests for expatriate quota will be considered on merit.

**ii. ProductStandards**

Companies, prior to importation of machinery, are required to lodge copies of the product standards, w ith the Standards Organisation of Nigeria (SON) for clearance.

The Federal Government of Nigeria has bilateral arrangements with some countries for the purpose of guaranteeing investments in Nigeria by citizens of those countries. The aim is to ensure that in the event sociopolitical changes affecting such investments, the repatriation of the imported capital investment is guaranteed. The conditions for such investment guarantee approvals are:

a. that the capital required for such investments had actually been imported into the country through the approved status in principle issued by the IDCC.

b. evidence of compliance with the provision of the Nigerian Enterprises Promotion Decree.

c. submission of a copy of the Business Permit issued by the IDCC and

d. submission of a copy of the audited account of the company if already in existence.

### iii. Technical Fees Agreement

Applications for Technical Fees Agreement are required to be made to the IDCC. Investors are advised to abide by the Guidelines on Technical Fees Agreement as published by the National Office of Industrial Property (NOIP).

### iv. Management of Industrial Waste

a. All existing industries should treat their waste effluents at least up to the secondary level, (i.e to the state where discharge will not pose danger to life and property), while those industries which produce toxic and hazardous waste should treat their waste beyond the secondary level. Toxic solid waste should be specially handled, collected and disposed off Toxic gases should also be specially handled.

b. New industries should have efficient treatment facilities into their systems right from inception.

c. Industries should set up environmental quality countries.

d. All major industrial project should include an Environmental Impact Assessment (ETA) statement. This would be one of the conditions for permits for establishing such industries

e. Effluent discharges of industries will be monitored on a regular bases to ensure compliance with the waste disposal regulations.

f. Emphasis will be placed on recycling of waste from industries, since the waste from one industry could be feedstock for another industry.

**SELF-ASSESSMENT EXERCISE 2**

Mention 5 incentives provided by the policy to support, industrial development.

## 3.4 Institutional Framework

### i. The Industrial Development Co-ordinating Committee (IDCC)

Initial authorisations for the establishment of new industries were in the past requested from several government ministries and agencies. The attendant chaos and delays inevitably slowed down the pace of

establishment of new industries. Government has therefore established a new central agency known as the Industrial Development Co-ordinating Committee (IDCC) to oversee required approvals. The committee comprises ministries F inance, Internal Affairs, Trade, Science and Technology, Agriculture; Industries, Employment, Labour and Productivity. The main objectives for setting up the Committee are to:

a. obviate the delays in granting approvals for the establishment of new industries;
b. create one approval centre instead of the present situation where there is a multiplicity of approving centres with unnecessary costs to prospective investors in terms of tine and financial resources:

c. obviate the lack of co-ordination among approving ministries;

d. remove the present conflicting and duplicated demands by ministries before approvals are granted;

e. advise on policy review proposals on tariffs, excise duties, various incentive schemes and commodity pricing, as they relate to industrial development; and

e. ensure adequate co-ordination and objectivity in the nations industrial development efforts.

**ii. The functions of the new IDCC are as follows:**

a. granting approvals for the commencement of new businesses and relevant expatriate quota for such businesses (expatriate quota approvals by IDCC will be limited, to new businesses only);

b. granting approved status in principle for imported capital in new ventures;

c. approving technology transfer agreements as they relate to:

- assistance in procuring machinery, plants, equipments and components;
- engineering design' services;
- plant installation and
- plant commissioning

d. advising on the administration of government industrial incentives.

e. making recommendations on pertinent policies including tariff and various measures aimed at ensuring the, industrial development of the country;

f. other relevant functions assigned to the committee from time to time to facilitate meaningful industrial development.

The IDOG Secretariat will function as a co-ordinating centre for receiving applications from prospective investors, channeling such applications to the appropriate ministries for their comments and recommendations, and collating information received for briefing and decision-making. The decree provides that every application shall be processes within two months.

**iii. The Policy Analysis Department (PAD)**

Government has established an organ known as the Policy analysis Department within the Federal Ministry of Industries. The functions of this department are to undertake the collection of data, conduct economic research and policy analysis necessary for the evaluation of the effectiveness or otherwise of industrial policy.

**vi. Industrial Inspectorate Department (IID)**

The Industrial Inspectorate Department of the Federal Ministry of Industries plays a pivotal role in certifying the actual values of capital investments in buildings, machinery and equipment of various industries. The Department also certifies the date of commencement of production for companies that enjoy pioneer status, and the value of imported industrial machinery and equipment for the confirmation of approved status for non-resident capital investment. IID also provides in house technical services for the ministry, including negotiations, equipment selection and implementation of public sector projects.

It also plays a key role in the monitoring of the Comprehensive Import Supervision Schemem (CISS) to ensure that the operations are in the spirit of the Agreement. it is the intention of the Government to indigenise pre-shipment import inspection currently being undertaken by foreign companies. The IID, which presently monitors the operations of the inspection Agents is expected to be directly involved in pre-shipment import inspection in due course.

**i. Data Bank**

An Industrial Data Bank has been established in the Federal Ministry of Industries together, store and retrieve data. The Bank will provide

information on existing industries in the various' sub-sectors, their production capacities and expansion plans,, production costs, the state of the market, price movement, raw materials available in various parts of the country, etc.

### ii. Raw Materials Research and Development Council

A Raw Materials Research and Development Council has been established and housed at the Federal Ministry of Science and Technology. The Council will be the umbrella organisation for all the various efforts by public and private sectors in the research and development of local industrial input. The Council shall work in close collaboration with the Federal Ministry of Industries which has the overall responsibility for the development of incentives pertaining to raw materials utilisation.

### iii. Investment Information and Promotion Centre

In practically all cases, whether the prospective investors are Nigerians or foreigners, it is advisable to contact the Investment Information and Promotion Centre of the Federal Ministry of industries for the latest information on procedural matters and the industrial climate in Nigeria. The Centre can advise and guide investors, free of charge, on most aspects of their investment proposals.

### iv. IndustrialTraining Fund

The Industrial Training Fund, established by Decree No. 47 of 1971 is the body responsible for promoting and encouraging the acquisition of skills in Industry and Commerce.

In the areas **of** Industrial Training and development, the Industrial Training Fund will continue to generate indigenous trained manpower sufficient to meet the needs of the economy. In this wise, the Fund will provide facilities for training of persons employed in industry and commerce; approve courses and appraise facilities provided for training by other bodies, particularly in industry or commerce; consider, regularly, operational areas of industry or commerce that require specific man power training and development inputs and recommend kinds of training needed the standards to be attained, and ensure that such standards are met. It would also assist in finding facilities for training for employment in industry and commerce and will conduct or assist others to conduct research into any matter relating to training in industry.

### vii. Standards Organisation of Nigeria

The Standards Organisation of Nigeria is the statutory body responsible for standardization and quality control in the nation's economy. In this connection it will prepare standards for products and processes, ensure compliance with Government Policy on standardization and quality of product, both locally manufactured and imported, undertake investigations as necessary into the quality of products in N i geria a nd esta bl ish a quali ty ass ura nce s ys te m i ncl udi ng certification of factories products and laboratories, maintain reference standards for calibration and verification of measures and measuring instruments and co-operate with corresponding national and international organisations with a view to securing uniformity in standards specifications.

With the semi-autonomous status now granted to the Standards Organisation of Nigeria (SON), it would henceforth strictly enforce the powers of seizure, confiscation and destruction of sub-standard goods and products and seal up factories which are regularly' found to produce sub-standard or defective goods and products.

### viii. Structure in Nigerian Enterprises

In the years preceding Nigeria's independence and indeed up to the early 1970s, the predominance of foreigners in industrial activities in the country wits very evident. There was a felt need to encourage Nigerians to get more in4olved in the economic activities of the country in order to maximise local retention of profit, increase the net i n d u s t r i a l c o n t r i b u t i o n t o t h e n a t i o n a l e c o n o m y a n d a v o i d unnecessary socio-political problems of absentee control of the nation's industrial sector. There was also an equal recognition of the need to ensure that greater Nigerian participation in industry should proceed simultaneously with attracting foreign investments on mutually beneficial terms. Consequently the Nigerian Enterprises Promotion Decree (NEPD) was promulgated in 1972 (amended,' 1 9 77 ) t o i n v o l v e N i g e r i a n i n t h e ow n e r s h i p ,' c o n t r ol - a n d management of certain enterprises.

In the intervening years since the Decree was promulgated, it was observed that total investment as a share of GDP had fallen due to several factors ranging from inadequate foreign capital flow to low levels of internal savings. This situation has led Government to review the investment environment particularly in the light of the fact that Nigerian' entrepreneurs have come of age and are able to hold their ground in various types of enterprises. The review was also necessitated by the fact that demands of SAP impose the spirit of competition and efficiency in production and quality of goods and prices acceptable to consumers. There is no doubt that the longer, term prospects for growth in output and

job creation entails a rise in the overall level of investment especially for purposes of exploiting out vast natural resources.

In order therefore to encourage foreign capital inflow, Government has amended the Nigeria Enterprises Promotion Decree, 1977. With the amendment, there now exists only one list of scheduled enterprises exclusively reserved for Nigerians for the purpose of 100% equity ownership. All other businesses not contained in the list of schedules businesses are now open for 100°/0 Nigerian or foreign participation except in the areas of Banking, Insurance, petroleum Prospecting and Mining where the existing arrangement still subsist. Both Nigerians and foreigners are free to negotiate levels of equity participation in the unscheduled enterprises. Foreigners are also free to participate even in the scheduled businesses provided:

a. Such participation involves equity capital not below twenty million Naira (N20,000,000.00) and

b. prior approval is obtained from the Industrial Development Co-ordination Committee (IDCC).

The objective of allowing for this special dispens ation is to encourage large-scale production/operation in some scheduled businesses not only for the local market but for export. It must be emphasied for the avoidance of about that the new ownership structure as detailed hereunder applies to new investments only. This implies that the ownership structure in respect of existing enterprises as provided for in the 1977 Decree still subsists.

## 3.5 Relevant Laws and Regulations

To guide prospective investors, the following laws and regulations related to industrial development in Nigeria are reproduced below:

CUSTOMS AND EXCISE MANAGEMRNT ACT 1938. No. 55 OF 1958.

CUSTOMS (DRAWBACK) REGULATIONS LEGAL NOTICE, No. 70 1959.

CUSTOMS DUTIES (DUMPED AND SUSIDISED GOODS) ACT No. 9 OF 1958.

INCOMETAXMANAGEENTACT1961,No.81.

FACTORIESACTCAP.66.

NATIONALPROVIDENTFUNDACT1961,No.20

.WORKMEN'SCOMPENSATIONACT:CAP222.ME

RCHANDISEMARKSACTCAP.117

REGISTRATIONOFBUSINESSNAMESACT1961,No.17

TRADEMARKSACT1965,No.29

IMMIGRATIONACT1963,No.6

EXCHANGECONTROLACT1962,No16.

COMPANIESACTNo.51OF1968.

PATENTSANDDESIGNSACT1970,No.60.

INDUSTRIALINSPECTORATEACT1970,No.53.

INDUSTRIAL DEVELOPMENT (INCOME TAX) ACT 1971, No.22.

NIGEIRANSTANDARDSORGANISATIONACT 1971,No. 56.

INDUSTRIALTRAININGFUNDACT1971,No.47.

WAGES BOARDS AND INDUST-RIAL COUNCILS ACT 1973,No.1.

NATIONAL BANK FOR COMMERCE AND INDUSTRY ACT 1973, No. 22.

TRADEUNIONACT1973,No31.

EXCISETARIFF(CONSOLIDATION)ACT1973,No.7.

CUSTOMSTARIFF(CONSOLIDATION)ACT1973,No.6.

LABOURACT1974,No.21.

TRADEDISPUTESACT1976,No.7.

TRADE DISPUTES ESSENTIAL SERVICES ACT 1976, No.26.

NIGERIAN EXPORT PROMOTION COUNCIL ACT 1976. No 26.

NIGEIRANENTERPRISESPROMOTIONACT1977,No.3

PRODUCTIVITY, PRICES AND INCOMES BOARD ACT 1977, No. 30.

PRE-SHIPMENT INSPECTION OF IMPORTS ACT 1978. No. 36.

COMPANIESINCOMETAXACT1979,No.28.

INDUSTRIALPROMOTIONACT1979,No.40.

IMPORTPROHIBITIONORDERLN.10OR1979.

NATIONAL OFFICE OF INDUSTIRAL PROPERTY ACT 1979, No. 70.

SECURITIES AND EXCHANGE COMMISSION ACT 1979, No. 71.

THE ELECTRICITY (PRIVATE LICENSES) REGULATIONS 1965, L.N. 76.

BANKRUPTCYACT1979,No.16.

NIGERIAN EXPORT PROMOTION COUNCIL DECREE (No. 26) 1976.

SECONDTIER FOREIGN EXCHANGE MARKET DECREE No.23, 1986.

CUSTOMS,EXCISEetc(CONSOLIDATED)DECREENo.-1988.

FACTORIESOEDECREENo16,1987.

WORKMEN'SCOMPENSATIONDECREENo.17,1987.

INDUSTRIAL DEVELOPMENT CO-ORDINATING COMMITTEE DECREE 1988.

NIGEIRAN EXPORT CREDIT GUARRANTEEE AND INSURANCE CORPORATION DECREE (No 15)1988.

PRIVATISATION AND COMMERCIALISATION DECREE. (No. 25)1988.

**Source:** Habibu, 1999: 264 - 303

## 4.0 CONCLUSION

A case study of industrial policy in Nigeria is cited in this unit to enable you understand what a policy is in reality and compare the policy Intent with its implementation to see how far the policy objectives have been achieved after two decades of its formation. You can now know better that there is a wise gap between policymaking and its implementation.

## 5.0 SUMMARY

The last unit of this course has a case study. If all policies are implemented according, the issue of policy failures could have been minimized. This case study of industrial policy in Nigeria is therefore presented to you for your perusal.

### ANSWER TO SELF-ASSESSMENT EXERCISE 1

To remove business barriers in Nigeria and improve the investment climate in the economy.

### ANSWER TO SELF-ASSESSMENT EXERCISE 2

1. Fiscal measures on Taxation and Interest rates
2. Effective protection with import tariff
3. Exportpromotionof Nigeriaproducts
4. Development Bank

## 6.0 TUTOR-MARKED ASSIGNMENT

Mention four main requirements for the establishment of business in Nigeria.

## 7.0 REFERENCES/FURTHER READING

Flabibu, A.S. (1999) *Public Policy Analysis: Theoretical and Applied Approaches.* Okene: Desmond Tutu Publishers.