R

ISSN 1119 - 4898

International JOURNAL of SOCIAL SCIENCES

INTERNATIONAL JOURNAL OF SOCIAL SCIENCES

IJSS

FACULTY OF SOCIAL SCIENCES
UNIVERSITY OF UYO
UYO

Volume 2, Number 1, June 2000

International Journal of Social Sciences (2000) 2:63 - 74

Institutionalizing sustainable economic policies and programmes - problems, prospects and agenda for government in the 21st century.

OKON J. UMOH

Department of Economics
University of Uyo, Uyo, Akwa Ibom State

ABSTRACT - Every nation, especially in the developing world, aims at economic growth and development along trend. Economic growth constitutes one of the most important objectives of macroeconomic policy. To be able therefore to achieve macroeconomic growth, which would lead to economic development, purposeful courses of action are put in place to deal with particular problems or matters of concern which inhibit economic growth and development. Such courses of action are policies, which in making involves identification of problems, articulation of specific objectives, identification and evaluation of alternative options for achievement of such objectives, deciding on the most preferred option, implementation of the chosen option, monitoring implementation and outcomes and the assessment of outcomes.

The objectives of macroeconomic policy in Nigeria includes the achievement of price stability, favourable balance of payments, sustainable economic growth, full employment, realistic and stable exchange rate as well as social equity. These objectives are achieved by employing fiscal, monetary, balance of payments, exchange rate, trade, and debt management policies among others.

This paper identifies certain problems encountered in the institution of sustainable economic policies and discusses the prospects for institutionalizing sustainable economic policies and programmes in Nigeria. It also sets an agenda for government in the 21st Century.

1. INTRODUCTION

Nigeria is about eighty six years as a political entity and forty years as an independent nation. The Nigerian economy showed signs of promise during and immediately after the attainment of independence in 1960. The enormous material and human resources in the country prompted those interested in Nigeria's development to assert that the country was not only capable of leading the black race but would also become an industrial giant within a reasonable period of time. Since then, the Nigerian economy has experienced booms, slumps and stagnation. None of the agricultural, oil and financial booms resulted in any significant restructuring and transformation of the economy. The worst slump started around 1979 and by 1986, the economy was deep in a depression. The period 1980-86 was characterised by high rates of inflation and unemployment, declining productivity and output, deterioration in the balance of payments, drastic decline in the provision of social services and the loss of confidence in the managers of the economy. This informed the adoption by government of the Structural Adjustment Programme. The Strcutural Adjustment Programme adopted in 1986, was designed to address the problems of structural imbalances in the economy and remove distortions that had adversely affected the productive sectors of the economy. Specifically, SAP was intended to restore the Nigerian economy to the path of non-inflationary, sustained growth and development within the medium term.

To be able to achieve economic growth in the medium and long term, SAP intended to also tackle the problems of diversification and restructuring of the country's productive base, in order to reduce dependence on the oil sector, achieve fiscal and balance of payments viability, improve the efficiency of the public sector investments and create an enabling environment for growth in the private sector. The broad strategy adopted by SAP was therefore the deregulation of economic activities.

It may be fair to say that the adoption of SAP became inevitable in the face of external shocks, economic recession and the need to respond to the prevailing gloomy socio-economic circumstances in a flexible manner. Adjustment programme has generally made changes in fiscal, monetary and sectoral policies, as well as regulatory and institutional frameworks to alter relative prices and the level of public sector spending in order to redirect economic activities. Unfortunately after almost a decade into SAP, the economy remained in a depression as conventional economic indices indicated. Political instability also helped to exercebate the situation. The then military leadership and policy-makers tried in vain to revamp the economy.

In principle, every government is interested in accelerated and sustained economic growth and development in order to better the standard of living of the people. However, how a government confronts the complex problems of growth and development depends on the perception of the leaders and policy-makers on how best to combine the economic resources so as to realize the desirable status of near full employment, price stability, growth and development. (Ekpo 1995, Ogwuma 1996).

2. CONCEPTUAL AND THEORETICAL ISSUES

Economic growth constitutes one of the most important objectives of macroeconomic policy. It is defined as the process whereby the real per capita income of a country increases over a long time period. Growth takes place when the productive capacity of an economy increases over time, in which case more goods and services are produced in each successive time period. Economic growth is therefore a desirable policy goal which should lead to economic development (Obadan 1995, Todaro 1989).

On the supply side, economic growth emphasizes on the simultaneous development of all inter-related sectors which help in increasing the supply of intermediate goods, raw materials, power, agriculture, transport, all industries producing consumer goods, etc. The demand side relates to the provision of larger employment opportunities and increasing incomes so that demand for goods and services may rise.

2.1 CONCEPT OF POLICY AND POLICY FORMULATION

Conceptually, policy involves a purposeful course of action which is followed by an actor or set of actors in dealing with a problem or matter of concern. These actors who make up the various arms of government machinery are in charge of the initiation, formulation and administration of policy to cater for the needs and aspirations of the citizens (Olaniyan, 1996). According to Ajakaiye (1997), policy making process has the following five stages.

- problem identification
- objective/target setting
- identification and selection of the strategy for achieving the objective(s)
- implementation of the selected policies
- outcome evaluation and feedback.

Policy making is therefore the process whereby problems are identified, the articulation of specific objectives, identification and evaluation of alternative options for the achievement of the objectives, deciding on the most preferred option, the implementation of the chosen option, monitoring implementation and outcomes and the assessment of outcomes.

Government policies emanate principally from the NATIONAL OBJECTIVES of the incumbent government. Such broad objectives constitute the basis for formulating specific policy measures, goals, and objectives. Policies are also formulated due to attempts to resolve particular problems associated with the day-to-day functioning of the government in particular and the economy in general. Policies may also emanate from deliberate attempts by government or its agents at charting the path of growth for the economy or particular sectors of the economy.

In Nigeria the objectives of macroeconomic policy includes the achievement of price stability, favourable balance of payments, sustainable economic growth, full employment, realistic and stable exchange rate, as well as social equity. To achieve these objectives, government adopts the following major classes of policies: fiscal policy, monetary policy, balance of payment policy, exchange rate policy, trade policy, debt management policy, etc. These policies together determine the domestic inflation rate, the level, structure and pattern of capital accumulation and resource utilization, the balance of payment position and the pace of economic activity in the economy.

The National Planning Commission is at the Centre of policy matters at the national level. It provides the knowledge base from which operational policies can be obtained for guiding the nation's planned efforts towards transforming the economy into a modern, robust and resilient one. Specifically the National Planning Commission undertakes the following responsibilities

(a) It provides policy advice to the President, commander-in-Chief of the Armed Forces of Nigeria in particular and Nigeria in general on all spheres of national life,
(b) It sets national priorities and goals and engender consensus among Government agencies, corporate bodies and workers' unions in support and accomplishment of such priorities and goals as may be contained in the guidelines issued by the Commission from time to time;
(c) It undertakes periodic review and appraisal of the human and material resource capabilities of Nigeria with a view to advancing their development, efficiency and effective utilisation;
(d) It formulates and prepares long-term, medium-term and short-term national development plans and co-ordinates such plans at the federal, state and local government levels;
(e) It monitors projects and progress relating to plan implementatior
(f) It advices on changes and adjustments in institutions and management techniques as well as attitudes necessary for the alignment of actions with plan targets and goals;
(g) It conducts research into various aspects of national interest and public policy and ensures that the implications and results of the findings in such research are geared towards the enhancement of national economic, social, technological, defence and security capabilities and management.

(h) It mobilizes popular group and institutional consensus in support of government policies and programmes;

(i) It prepares and controls the capital budget and sets broad guidelines for the recurrent budget;

(j) It manages multilateral and bilateral economic cooperation, including development aid and technical assistance programming;

(k) It deals with matters relating to regional economic co-operation, including the Economic Community of West African states, the African common market, the United Nations Economic Commission for Africa and the South-South Co-operation; and

(l) It carries out such other activities as are necessary or expedient for the full discharge of all or any of the functions conferred on the commission under the decree which established it.

From the foregoing it should be obvious that policy makers are typically senior bureaucrats or politicians who take policy initiatives. Economic policy making is therefore a complex, dynamic process used to decide the major guidelines for action directed toward the future, primarily by government, and oriented towards what is in the public interest by the best possible means (Dror 1968, Anyanwu 1997) Policy making is mainly undertaken by the executive and the government bureaucracy in dictatorships, the legislative units exert almost no influence on policy making.

It is worthy of note, that the need for government economic policy is based on the hypothesis of traditional market failures: existence of public goods, externalities, natural monopoly and information asymmetry. According to Meier (1991), additional reasons which warrant government economic policy include the limitations of the competitive framework: markets with few sellers or few buyers, endogenous or unacceptable preferences, problems of uncertainty, intertemporal problems (adverse selection, moral hazard and unique assets), and adjustment costs. The other reason is unsatisfied distributional goals. Unfortunately, in Nigeria, "government (policy) failure" has often added salt to the injury of market and other failures.

There are forces which impinge on the policy maker and determine policy choice in a democratic socio political and economic setting like Nigeria. These forces could be "society-centred" or "state centred". The society-centred forces provide societal inputs to a passive government and the policy choice is a dependent variable. The demand from society creates the supply of policy. The societal forces are made up of the classes inherent in that society, interest groups, political parties and voters.

On the other hand the state-centred paradigm views the state as having its own objectives. In this case the state is autonomous and policy elites are active. The state economic policies are influenced by technocrats. bureaucrats and forces acting on the policy maker on behalf of state interests.

The rational choice political economy rejects explanations of policy based on classes and technocratic approach of a benevolent government which purports to act in devotion to national welfare. Instead of public interest or social welfare function and pareto efficiency, the new political economists talk about the Leviathan state, bureaucratic state or factional state. The Leviathan state is often a predator state which seeks profits and rents from governmental activities and preys on its citizens for the economic benefits of an autocracy, policy elite or bureaucracy. This explains the adoption of quantitative restrictions and inflationary policies by such policy makers and governments inspite of the Economist's advice to the contrary. The bureaucratic-type Leviathan engages in budget-maximization and builds a large public sector and numerous state owned enterprises. The factional state, acting in the manner of a principal agent, is a transfer state, redistributing income or wealth from one faction to another (Meier 1993, Anyanwu 1997).

The new political economy thus explains the incessant policy failures of government. This is the basis of a shrinking, staunted and minimal state where policies become nothing more than a spanner in the economy works.

3. PROBLEMS OF INSTITUTION OF SUSTAINABLE ECONOMIC POLICIES

The failure of successive governments in Nigeria to institute sustainable economic policies and programmes can be explained in view of the problems which bedevil policies right from the stage of initiation to implementation and monitoring. Some of these problems include the following.

(1) The policy process is political in nature and is therefore characterized by extensive intra-and inter-agency bargaining and so cannot easily accommodate "rational" solutions

(2) Lack of adequate representation and consensus of the citizens in the policy making process. In the past, the contributions of the labour unions were not perceptible while the entrepreneurial class still saw it as a privilege to be consulted. The level of interactions between government and the organized private sector has not been high enough to warrant the kind of consensus required of a thorough political economy considerations in the economic policy making process. (See Ajakaiye 1997, Olukoshi 1993, Bangura and Beckman 1993, and Jega 1993).

3. A major deficiency in policy making in Nigeria is that the policies' over arching framework of objectives, priorities and strategies are not properly grounded in socio economic reality. The policies are prefaced by high-sounding proclamations of "national objectives" which lack evolution out of any rigorous process of socio economic debate.
4. The fourth problem relates to the rather tenuous link between policy formulation and implementation. First, the macroeconomic policy measures which are to be complementary to the public capital programme and are supposed to provide the appropriate signals for private sector decision makers are hardly ever comprehensively articulated. The policy documents tend to merely list the objectives at which policy measures will be directed without providing the details on the implied relationships between policy instruments and the various target variables.
5. The non-specification of the policy matrix often leads to conflicts of objectives. For instance the assumption that a combination of fiscal, monetary and other policy measure should keep inflation within reasonable limits would be ineffective if the strong inflationary pressures emanating from the promotion of import liberalisation and upward review of wages are overlooked.
6. Another critical issue relates to the quality of policy implementation management. Poor implementation of policies may be related to inadequacy of budget allocations due to unexpected revenue shortfall, cost increases due to inflation, cost increases due to initial underestimation of project costs or lack of coordination of policy objectives and annual budgets.
7. Other causes of economic policy failures in Nigeria, which according to Phillips (1997) are largely non-economic, multi-dimensional and inter-related are:

(a) Non-accountable governments which are often preoccupied with tenure and security instead of welfare of the citizenry.
(b) Unstable polity
(c) Overcentralization and forcible uniformity
(d) Infallibility syndrome
(e) Untimeliness: Considerable haste or considerable delay
(f) Square pegs in round holes
(g) Relative lack of holistic and multi-disciplinary approaches
(h) Policy formulation with inadequate data
(i) Foreign debt burden and the consequential IMF/World Bank impositions

(j) Culture of escapism
(k) Ethnic divisiveness and distrust etc.

4. PROSPECTS FOR INSTITUTIONALIZING SUSTAINABLE ECONOMIC POLICIES AND PROGRAMMES IN NIGERIA

Given the background of the problems which engender economic policy failures as discussed and outlined in the previous section, we may define policy failure in Nigeria to include the chronic failure of socio economic policies to:

(a) achieve their stated objectives;
(b) sustainedly attain the ultimate goals of the economy, which among other things should be to constantly improve the economic welfare of the vast majority of the people in terms of incomes, prices, jobs, supply of wide-ranging basic goods and services, economic equity, etc.
(c) institute and sustain durable solutions to Nigeria's basic socio-economic problems

Definitely, it would be possible to institutionalize sustainable economic policies and programmes in Nigeria. However, for this to be possible certain bottlenecks which had hitherto hindered the workability and sustainability of economic policies must be removed. Furthermore the policy environment must be conducive for sustainable and result oriented policies and programmes.

In the first instance a stop must be put to our trial and error approach to policy management. In the past we tended to be unable to make choice in terms of policy options, and when we do, we are hardly patient enough to see through its implementation. Furthermore, our policy makers must understand that policy reversals are sustainability unfriendly. Unfortunately such policy reversals have been the bane of policy management efforts. An example is the issue of interest rate liberalization, of which policy has been highly unstable. Other examples include the issue of pre-shipment versus destination inspection. Again moving from one auction method to another in the foreign exchange market has kept the Naira where it is today.

Sustainable economic policies and programmes call for sufficient study and understanding of the causes of the problems which a given policy is set to tackle. This implies that relevant information and data must be available to direct policy options. A case in point is the "demand management policy" or strategy which the World Bank and IMF would want us to adopt in solving inflationary tendencies in the economy. This is sad for an economy where an average citizen may not be able to have two square meals in a day. The truth of the matter, however, is that inflation in Nigeria today is cost-pushed due to exchange rate undervaluation.

Sustainable economic policies and programmes shall be a reality in Nigeria when government and policy makers begin to synchronise interest with those of the larger public. By so doing divergence of views on policy implementation strategy would be avoided since poor policy implementation is capable of crippling the effectiveness of policy and rendering it susceptible to discredit.

Moreover, for policies to be sustainable, they must be adaptable to the solution of the domestic problems of the nation and also applicable to the peculiar problems and characteristics of the nation. This is because the applicability of a given policy in other countries does not necessarily make it suitable and applicable to our local situation (See Sobodu and Fisher, 1999).

Good governnace must be taken seriously. Thus, transparency, accountability and comprehensiveness must not be impeded in the polity.

Finally, sustainable economic policies and programmes must necessarily be society centred. In this case, the inputs for policies should move in a bottom-up direction from the classes, interest groups, political parties and voters to the state technocrats and bureaucrats for proper policy formulation.

5. ECONOMIC POLICIES AND PROGRAMMES: AGENDA FOR GOVERNMENT IN THE 21ST CENTURY

Having discussed the concepts of economic policies, their problems and prospects, an agenda for government in the 21st Century involves pointing to the way forward towards achieving sustainable economic policies and programmes. In our perception, the way forward is summarised as follows:-

(a) There is need for the harmonization of all sources of our socio-economic data. In which case data published by the Central Bank of Nigeria, Federal Ministry of Finance, Federal Office of Statistics, the International Monetary Fund and the World Bank must, henceforth not be discordant. This will help to sharpen and rationalize the inferences drawn from such data about the performance of the Nigerian economy.

(b) The process of input making in policy initiation and formulation need to be streamlined. This can be achieved by establishing a formal network to link all stakeholders in the economy who are able and willing to make input in policy. These include farmers, teachers, traders, artisans, politicians, traditional rulers, civil servants, academics, the clergy and professional associations. The network can be meaningfully coordinated at all tiers of government and the inputs pooled to a central commission at the federal level.

(c) The various research and training institutions nationwide should be coordinated and linked together such that they contribute meaningfully in policy initiation, formulation, implementation and monitoring. These institutions include the Universities, the Administrative Staff College of Nigeria (ASCON), Agricultural and Rural Training Institute (ARMTI), Centre for Management Development (CMD), National Centre for Economic Management (NCEMA), Nigerian Institute for Policy and Strategic Studies (NIPSS); Nigerian Institute for Social and Economic Research (NISER), Nigerian Institute for International Affairs (NIIA), etc.

(d) Other interest groups which abound in the private sector must shed off corruption, nepotism, ethnicity, tribalism, statism and other pervasive colouration of their activities and contribute policies which are optimal and gainful to the society at large. Such groups include the Manufacturers Association of Nigeria (MAN), the Nigeria Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA), Trade Unions, Nigeria Employers Consultative Association (NECA), etc.

(e) There is need to make our economic policies and programme more inward looking. Economic policy prescriptions from abroad must be viewed with caution and taken on merit only if they are adaptable and suitable for the solution of our peculiar problems.

(f) Policy implementation must be devoid of undue interference by self interested politicians. Those who are charged with the responsibility of policy implementation should be rewarded for excellence and punished for failure to achieve targets.

(g) Finally, government must make efforts at all times to generate consensus around a common vision of the future Nigerian society so that policies and programmes may capture projects which are desirable to embark upon in the light of the common vision of the future

6. CONCLUSION

In this presentation we have discussed how to institute sustainable economic policies and programmes in Nigeria. It is notable that the persistence of economic crises in-spite of various policy and institutional reforms, to redress the situation, can be attributed to lack of comprehensiveness in policy design, compounded by policy instability and poor policy implementation among other factors. The solution to the prevailing policy failures is predicated on the ability to initiate, analyse, adapt and manage sound and sustainable policies.

We therefore conclude that for policies to be sustainable, such policies must be society-centred, must seek the inputs of the widest possible cross-section of the populace, must be devoid of political self interest of the few and must be implementable.

REFERENCES

Anyanwu, J. C. (1997) "Economists and Institutions in Economic Policy Making in Nigeria" Paper presented at the one-day Seminar of the Nigerian Economic Society on "Why Have Economic Policies Failed in Nigeria", Lagos. January.

Ajakaiye, D. O. (1997) "Political Economy Considerations in Economic Policy Making Process in Nigeria" Paper Presented at the National Seminar on Why Economic Policies Have failed in Nigeria. Lagos, January.

Bangura Y. and Beckman B. (1993) "African Workers and Structural Adjustment: A Nigerian Case Study" in Olukoshi, A. (ed) The Politics of Structural Adjustment in Nigeria. James Currey, London.

Dror, Y. (1968), *Public Policy Reexamined* Chandler Publishing Company, San Francisco.

Ekpo, A. H. (1995) "Openness and Economic Performance in Nigeria: A Time-Series Analysis" in External Trade and Economic Development in Nigeria, Nigerian Economic Society, Ibadan, Pp. 107-121.

Jega, A. (1993) "Professional Associations and Structural Adjustment" in Olukoshi A. (ed). The Politics of Structural Adjustment in Nigeria. James Currey, London.

Meier, G. M. (1991) "Policy Lessons and Policy Formation", in Meier, G. M. (ed) *Politics and Policy making in Developing Countries: Perspectives on the New Political Economy*, ICEG Press, 3-12.

_________ (1993) "The New Political Economy and Policy Reform". *Journal of International Development,* Vol. 5, No. 4, 381-389.

Ogwuma, P. A. (1996): "Kenote Address" at the National Policy workshop on Fiscal and Monetary Policies during structural Adjustment Programme in Nigeria, Lagos.

Obadan, M. I. (1995) "Short and Medium-Term Economic Management Strategies" in *Tools and Techniques of Macroeconomic Policy Analysis* NCEMA, Ibadan.

Olaniyan, I. F. (1996) "Policy making in Nigeria - The Role of the National Planning Commission". A paper presented at the National Policy workshop on Fiscal and monetary policy during Structural Adjustment in Nigeria, Lagos, March.

Olukoshio, A. (1993) "Structural Adjustment and Nigerian Industry" in Olukoshi A. (ed). The Politics of Structural Adjustment in Nigeria. James Currey, London.

Phillips, D. (1997) "Why have Economic Policies Failed in Nigeria"? A presentation at the Nigerian Economic Society's One-Day Seminar, Lagos, January.

Todaro, M. P. (1980) *Economic Development in the Third World.* The Longman Group, London.

Sobodu, T. and 'Timi Fisher (1999) "Mistakes we must not Repeat" *UBA Business and Economic Digest,* Vol. 3, No. 2, April - June.