THE NIGERIAN ECONOMIC SOCIETY
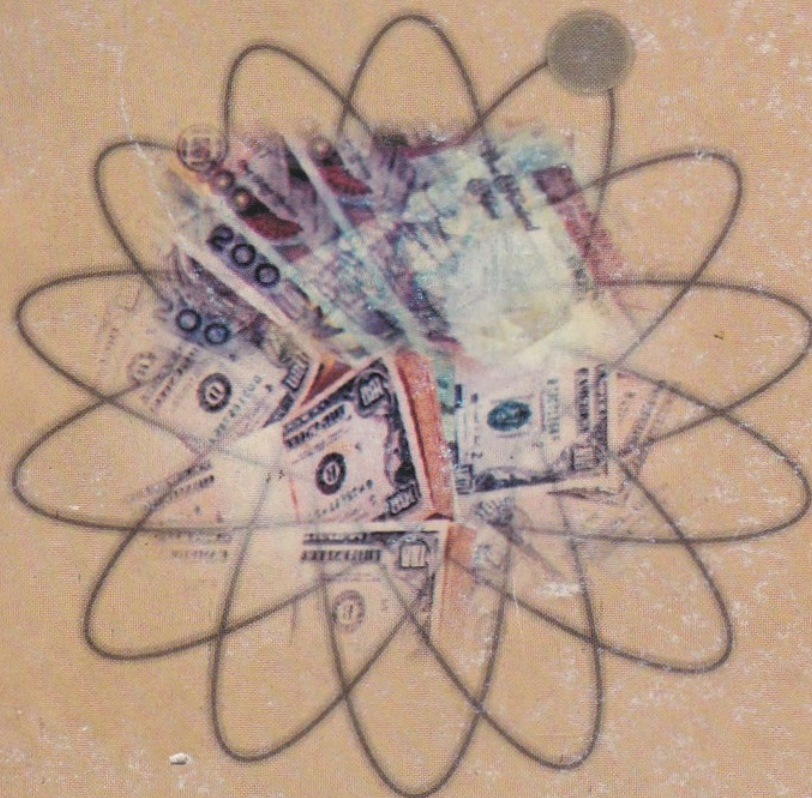
COSTS AND BENEFITS OF ECONOMIC REFORMS IN NIGERIA

SELECTED PAPERS FOR THE 2005 ANNUAL CONFERENCE

STRUCTURAL OBSTACLES TO GAINS FROM ECONOMIC REFORMS IN NIGERIA

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ABSTRACT

Economic reforms which started in Nigeria in 1986 continue to take different forms. The programme is however based on weak assumptions about the markets, infrastructure supply, fiscal system and the existence of well-endowed social safety net. The stage of Nigerian economic development constrains the availability of these factors, while the inadequacies of these environmental variables present serious obstacles to the achievement of the set policy goals. Economic policies in a developing economy such as Nigeria should integrate the existing inadequacies in economic environment into the policy plan.

1.   Introduction

ECONOMIC reforms in Nigeria can be traced to 1986, when a large-scale restructuring policy programme under the auspices of "Structural Adjustment Programme" (SAP) was launched by the military administration led by General Ibrahim Babangida. From that year on, several policies directed at various aspects of the society – economic, political, legal and social – have been adopted in support of general reforms of the Nigerian economy. Though SAP at its inception was not contemplated as a broad-spectrum and long-term policy programme, it turned out to be so because of the

general trend in global policy direction and the nature of economic crisis in Nigeria. SAP and other supportive and successive reform policies have, therefore, represented a water-shed in the history of Nigerian economic policy. It has altered the policy term, goals, mix and ideology. Economic policies used to be a rain-bow coalition of ad hoc policies, most of which never had any long or medium-term objective before the introduction of SAP. Ideological pursuits were vaguely identified in such policy framework. Policy goals were independent, specific and not inter-related.

SAP was a set of market-oriented policies aimed at stabilizing primarily foreign trade, foreign exchange and financial sectors/markets. According to the World Bank (1994:9):

> *The aims (of SAP) were: to restructure and diversify the country's productive base in order to increase efficiency and reduce the dependence on oil sector; to achieve fiscal and balance-of-payments viability; to improve the efficiency of public sector investments; and to concentrate government efforts on creating an enabling environment for growth in the private sector. SAP sought to achieve these aims through: adoption of a market-determined exchange rate (supported by prudent fiscal and monetary policies); liberalization of trade policy and prices and markets; and liberalization of private investment regulations.*

The goals of SAP as presented by Bretton Woods Institutions to various countries with diverse socio-economic backgrounds were essentially uniform. The policy elements of these economic reforms as highlighted by King and McGrath (2004:21) include greater fiscal discipline, tax reform, liberalization of the financial sector, exchange rate reforms designed to promote non-traditional exports, trade liberalization, encouragement of foreign direct investment, privatization of public services and greater deregulation of production and services. These

policies were made a basic part of the World Bank-IMF loan conditionalities. In the face of the widespread balance-of-payments driven crises in the economies of the South, there was equally a wide acceptance of these loans along with their structural adjustment conditions.

The policies in SAP, as with any other programme required the existence of some preconditions in the economy for the attainment of their goals. The government neither identified any verified availability of these before adopting the policies of SAP. Again, during the implementation of the policies, some basic parts, especially those that would have brought some additional burden of obligations on the government (and which would have enhanced the policy achievement), were blatantly omitted by the government.

For about twenty years now, 1986 – 2005, the reform policies have been adopted in Nigeria, there is a need to raise and attempt the question: could unprepared economic environment and removal of some basic policy components at the implementation have been major constraints to the realization of higher benefits of economic reforms in Nigeria? This question guides the following deliberations in this paper. The paper has five sections comprising this introduction, the theoretical issues in reforms, economic environment for reform policies and outcomes, implications for economic development, and lastly the conclusion.

2.   Theoretical Issues in Economic Reforms

The economic reform programme in Nigeria was undertaken as a solution to the balance of payments problems and fiscal imbalances that the economy was facing in the 1980s. These distortions were thought of as being caused by the fall in the price of Nigerian major export, the crude petroleum oil, which first impacted negatively on the current account balance creating deficits and later deepening fiscal deficits due to debt burden and continued decline in government fiscal revenue. This has been the

basis of the World Bank/IMF formulation of SAP. The bias of the SAP policies is towards the IMF's mission of stabilization rather than the World Bank's poverty alleviation/eradication mission. Once the IMF was able to prove the immediate relationship between the crises in the developing economies of the South and their foreign trade relations, and to also offer balance of payments' bail-out facilities and the Structural Adjustment loans, its palliative policy prescriptions became easily accepted by or compelled its acceptance on, the crises-ridden LDCs including Nigeria without any serious resistance[1]. Just as Agiobenebo (1991:420) pointed out, there is no unique set of policies ordained for adjustment/transformation of the structure of economy that can be regarded as universally acceptable and invariant with respect to time. The set of objectives identified for adjustment programmes differs as the problem specification. However, the economic reform policies implemented in the less developed economies and the eastern post-socialist economies were rooted in the principles of market liberalism and demand management.

The crises at which structural reforms were directed were mostly seen as book-balance problems which can therefore be addressed using the traditional superficial corrective procedures of stabilization policies. By freeing the markets from the reins of controls, it was imagined the prices in the different markets would adjust and reinstate the economy at stable equilibrium path – including the correction of the balance of payments and fiscal deficits. This light regard to the foundation of the crisis is itself a serious weakness that leads to formulation of a policy programme that only addresses the problem at the superficial level, as Toyo (2001) and Onimode (2000) assert.

In attempting an evaluation of post-policy effect, it is important to ascertain whether there is a basis for such appraisal in the first instance. This is established by first appraising the level of policy implementation. If the policy, the effects of which one is about appraising, was never implemented or was partially or haphazardly executed, then the analysis may give wrong conclusions especially if adequate adjustments are not made against realities concerning the implementation.

According to Toye (1996) SAP consists of two sets of policy measures: stabilization measures and pure structural adjustment measures. Stabilization policy measures comprise devaluation, monetary and fiscal policies, while structural adjustment policies cover resource mobilization, resource reallocation within the public sector, institutional reform and the liberalization of a wide range of markets. This is portrayed in the schematic diagram in Fig. 1.

The policy measures to achieve the goals contained the key elements of constrictive fiscal policy, liberalization of interest and exchange rates, foreign trade liberalization, privatization, deregulation of production and services, tax reform and promotion of non-traditional exports (via exchange rate deregulation stated earlier) (King and McGrath, 2004; World Bank, 1994). This policy programme was too massive in coverage – which created some contradictions in achievement of objectives, and was implemented swiftly without considering the burden of adverse side effects on the people and the society. For instance, there was no provision in the policy for vulnerable groups. The most ignored of these

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[1] Even in the presence of resistance to IMF-fashioned Adjustment programme as was in organized pre-SAP debate in Nigeria, which roundly and decisively rejected the IMF economic policy 'advice' and its Structural Adjustment loan in 1985, the government went against the popular scholarly view. However, given the international relations intrigues frequently adopted by the IMF/World Bank and their primary country allies and cooperators, it is not difficult to explain why the government went ahead to adopt the policies. Despite the proclamation of respect for sovereignty of nations by these Bretton Woods sister institutions, their activities in LDCs are not without some forceful imposition. Practical cases of such imposition have been cited by Onimode (1991: 155) concerning Brazil and the Philippines policies in 1983 and Stiglitz (2002: 25 – 39) with respect to the series of struggles to impose the IMF-designed policies or give approval to the domestically formulated policies by governments of Ethiopia and Botswana.

conflicts are those owing to the structure of the economy and the stage of development within the respective economy.

There were some contradictions in the policy measures and the goals of the adjustment programme. Some of these problems were actually caused by the inbuilt contradictions in the policies adopted to address the macro-problems of unemployment, inflation and economic growth, while others are inherent in the structural problems in developing economies. The SAP policy measures are based on the economic relations in the Keynesian national income equation; they are based on economic relations existing among the household/family units in their consumption (C) behaviour, the business units regarding their investment (I), the government in its expenditure activities (G) and the external sector net transactions (x) [= value of exports (X) less value of imports (M)] in an economy.

Fig. 1: A schematic representation of structural adjustment policy
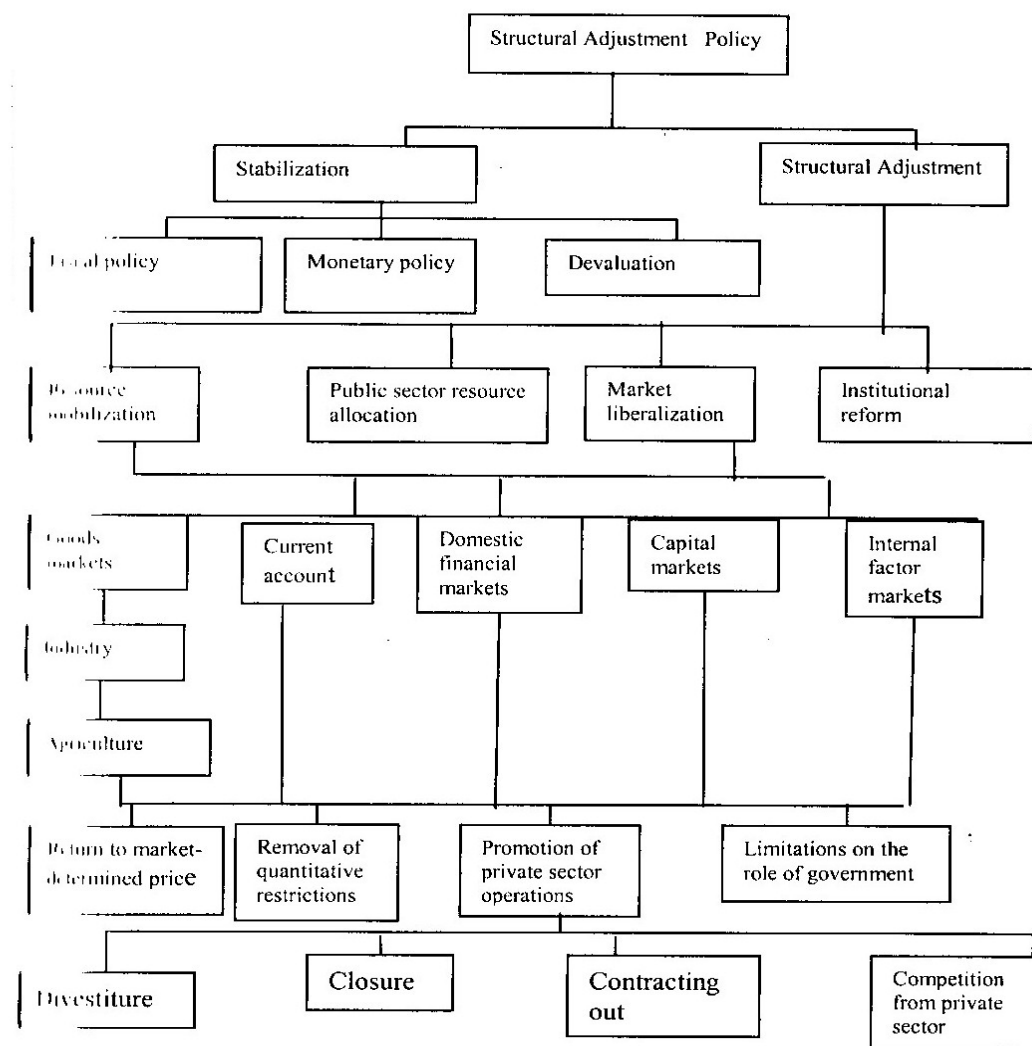
Source: Adapted from Toye (1996)

$Y = C + I + G + (x)$;   [where $x = (X - M)$]

(i)   Consumption is affected by wage rate (w) positively, interest rate (r) negatively, tax rates (t) negatively, transfer levels positively, and level of prices negatively.

(ii)   Investment is influenced by interest rate negatively, tax rates negatively, wage rate negatively, price level positively, with a positive or negative relationship with exchange rate – the sign depends on whether the external sector is a source of raw material or market for the products or both.

(iii)   The net export variable is influenced by terms of trade, exchange rate, interest rate and taxes on exports and import tariffs.

(iv)   Government expenditure level depends on political, social and economic considerations and is mostly regarded as exogenous variable in most economic analyses.

Even when the relationships among these variables are explicitly specified in sectors such as social and economic infrastructure, civil service and social institution are not usually explicitly specified in such models so as to bring out the interactive effects between them and adjustment policies. Activities in these quasi economic sectors are traditionally treated as being captured by government expenditure or they are simply dropped from such models using some assumptions. In a developing economy, where infrastructure is at a low level of development, it is important to specify models in a way that will clearly reveal effects of policies on them, and vice versa. Such clear particularization is important because in the less developed economies, these amenities are grossly inadequate and some are completely unavailable, and the mode of providing and maintaining them is ad hoc whereas it is standardized in developed economies.

1.   Environmental Constraints on Economic Reform

1.1   Incomplete Market Constraints

A very important assumption on which the exposition of the structural adjustment policy expectations were based is the existence of well developed and complete markets. (In some flamboyant cases, the efficiency of such markets is added to the assumption.) Apart from the various scales of imperfection that exist in the markets in LDCs due to poor circulation of information that may in turn be attributed to poor transportation and communication network, there are other problems that most western economists do not recognize in application of market theories to the LDCs' problems. Some of these include market fragmentation and incomplete market, with rigidities in quantities and prices. These rigidities in the adjustment process are caused by limited or imperfect intermediation between producers and final users due to lack of information, transport difficulties, low density of demand, absence of an efficient trading network (especially for small producers) and/or deliberate restrictions imposed by the governmental authorities (Rakshit, 1989: 149).

Let us assume that there are three producers (x, y and z) in an economy, who also buy from others as well as use part of their own products. Then, the Walrasian demand-supply (quantity) equilibrium can be represented as the following identities (which is comparable to the Leontief input-output system):

$$X_d \equiv A_{xx} + A_{yx} + A_{zx} = X_s \qquad \text{.......................} \quad (1)$$

$$Y_d \equiv A_{xy} + A_{yy} + A_{zy} = Y_s \qquad \text{.......................} \quad (2)$$

$$Z_d \equiv A_{xz} + A_{yz} + A_{zz} = Z_s \qquad \text{.......................} \quad (3)$$

X_d, Y_d and Z_d represent the total demand for commodities X, Y and Z, respectively, and the subscripts to A_{ij} indicate industry i and its demand for commodity j. The values in the right hand side with subscript s are the total output, the supply of the respective

commodities. By the Walrasian law, if the two of these markets ar at equilibrium, then the third is automatically at equilibrium. Th equilibrating force behind the system is the Say's law: 'suppl creates its own demand', making for equilibrium between deman and supply in all markets taken as a system.

If an incomplete market situation arises, shortages becom a characteristic of the market. The distribution of the good concerned is done in such a way that will make the net consumer to bear the quantity rationing effect. That is, the consumers of ow products (the diagonal firms) would have their demands satisfie first, while other consumers will ration the residuals. Adjusting th Walrasian formulations (1) – (3) above to accommodate th shortages and rationing, we have:

$$X_d = A_{xx} + \text{censored}(A_{xy}, A_{yx}) + \text{censored}(A_{xz}, A_{zx}) = X_s^c \ldots\ldots\ldots \quad (4)$$

$$Y_d = A_{yy} + \text{censored}(A_{yx}, A_{xy}) + \text{censored}(A_{yz}, A_{zy}) = Y_s^c \ldots\ldots\ldots \quad (5)$$

$$Z_d = A_{zz} + \text{censored}(A_{zx}, A_{xz}) + \text{censored}(A_{zy}, A_{yz}) = Z_s^c \ldots\ldots\ldots \quad (6)$$

The relations in (4) – (6) are comparable to those in (1) – (3) in that both sets yield to Say's law, but there will be unemployment of resources. In the brackets containing A_{ij}, A_{ji}, if both are not equal, Walrasian equilibrium will not be attainable. Departure from the equilibrium could lead to switch in demand, which would lead to a reduction in general output level (as Rakshit, 1989 illustrates) The disequilibrium may be worsened by the problems of double coincidence inherent in barter system of the lowly monetized developing economy.

Another way to look at the effect of incomplete market phenomenon, especially in African societies, is a case where some economic goods are obtained at less than the market price (including zero price as in gifts). It is when all economic resources earn their proper equitable returns that there could be market for

everything produced in the economy and Say's law relations established. When the market is short-circuited, may be, by a productive input not passing through the market arrangement, it creates a problem of inadequate effective demand in the system. Even if the value for that commodity is eventually fully paid to others in the chain of transaction, as long as there is a set of economic agents that is not paid for their resources in the process, their demand in the system is made ineffective. Those who could have been over-paid, such as the dubious intermediary traders who ask for and collect free gifts of market commodities from the gullible illiterate rural dwellers and sell them at full market prices to urban populace, may save away the excess value that the unpaid agents could have earned. This problem can be observed in both input and output markets.

In the end, supply cannot create sufficient demand to clear the market. The transaction chain cannot be complete and the immediate result will be over-production and waste, while firm's adjustment against the waste will lead to unemployment of resources that would have been otherwise avoidable. Market-oriented adjustment policies in the presence of incomplete market will compromise the effect of such a programme, restricting the impact to the organized market. In some cases, only the negative effects such as price increases may be passed to the same segments of the transaction chain, depending on the bargaining power of the market participants.

Thus, where quantity constraint exists in any market, equilibrium solution is no longer tenable. The quantity traded is equal to quantity in the shortage side of the market, but there is underutilization of resources in markets that have unsatisfied demand, and waste in the one with excess supply. These quantity constraints are not price-induced and change in prices would only ration the available quantities but would not necessarily remove the developmental rigidities listed earlier from the economy. For instance, if the rigidity is caused by poor transportation

infrastructure, price adjustment would effectively ration the inadequate quantity to the excessive quantity side of the market. It would not, in the immediate time, lead to increase in the supply of the infrastructure especially since the adjustment in infrastructural stock is not directly market determined. Similarly, the production constraints owing to the low level of monetization of the rural sector in the LDCs can result in incomplete market or the compromise of effective functioning of the market.

Welfare effects of the problem must also be highlighted The incomplete market problem will naturally reduce the levels o employment, output, income and demand. All these contractions it the economy will have negative effects on the level of welfare. Fo instance, lower level of employment, hence, lower than optima level of output and income, normally leads to lower number o variety of goods available for consumption (which constrain choice) – with the effect of weaker consumption bundles, an lower demand caused by low income, all culminating in lowe welfare level.

The credit market through which the effect of financi sector liberalization was to be transmitted into the econom; mobilizing investment funds and making same available to th borrowing investors at market-determined interest rates, is by n means harmonized and integrated. The market is fragmente owing, again, to the problem of imperfections in the market cause by inflexibility of interest rate and its inability to guarantee mark clearing and personalized transactions due to limited financi intermediation. Under the fragmented credit market, interest ra adjustment does not necessarily bring about market-clearance.

> *When loans are personalized, 'interest rates' do not adjust; nor do funds flow across fragmented credit markets to make only one constraint (demand or supply) binding on prospective borrowers or lenders. Corresponding to these frustrated plans in the two sides of the markets there will be involuntary holding*

of money balances on the part of savers and some investment plans remain unfulfilled – (Rakshit, 1989: 157).

These sets of features in the financial market are commonly observed in the dual economies that characterize the economic structure in the developing countries. The operation of SAP did not take special notice of this problem and so made no provision for the achievement of integration of these markets to ensure full realization of the policy objective of financial market liberalization.

1.2   Fiscal Policy and Weak Market Constraints

The fiscal policies under the Structural Adjustment Programme are market-oriented and as discussed above, markets have to be well developed for optimal gains to be experienced from such policies. Even though by Brennan and Buchanan's (1977: 258) definition "taxes are coercive instruments that allow governments to levy charges without any corresponding individualized expression of current willingness to pay", tax-paying public would do so more willingly if their expected stream of gains from the government supplies services is at least equal to the current sacrifices of values in terms of taxes they pay. For a tax system to be less frictional in terms of resistance to payments and the intensity of enforcement costs there is a need to strike a balance between the taxes and supply of government services to public both at the planning stage and *ex ante*. This is an issue in optimality of a tax system, which involves the balancing of resource costs of a tax against its benefits, comparative justice and fairness of alternative tax systems and the efficiency of a tax system. According to Sandmo (1976) a tax system is optimal when it minimizes the aggregate deadweight loss for any given tax revenue or level of public expenditure.

The issues raised about the tax system guide the government in taking decisions regarding what to tax (tax base), at

what rate and to what end should the realized revenue be used. These are by no means exclusively economic or purely political issues! However, one can still decipher economic strands of the analysis. The received theories of taxation, as presented by Brennan and Buchanan (1977), consider tax revenue, T, to be a function of income and the volume of economic activities, Y, and tax rates, t. Hence,

$$T = f(Y, t)$$

If the tax rates, t, are determined exogenously and are invariant over a reasonably long period of time, then, the level of tax revenue becomes basically determined by the level of economic activities. The stylized fact concerning the determinant of the government expenditure arm of the entry is that the desired outlay of public goods and services, G, is a direct function of total tax revenue raised. That is,

$$G = \alpha T$$
$$1 > \alpha > 0$$

A natural (planned) fiscal expenditure on infrastructure and other expenditure on goods and services is that which should leave the government with surplus budget *ex ante*. For a developing economy with many problems including imperfect and incomplete market problems these fiscal relations will not hold.

In Nigeria, for instance, tax revenue that government is willing to raise may very well depend on the level of economic activities but tax revenue as a proportion of total government revenue is not very significant compared to the revenue from petroleum oil royalty. The level of the royalty is determined by non-economic or political variables, which are external to economic modeling. As Akpan (1999a) observes, there is no incentive for the governments in Nigeria to administer constitutionally approved taxes to raise revenue because the seizure of oil wealth by the federal government has put government revenue at an artificial zone of financial comfort. Since government revenue may not be significantly affected by the

level of economic activities, lack of government commitment to macroeconomic management that would increase aggregate economic performance and lack of accountability by government are natural outcomes of the Nigerian public finance arrangement. Provision of infrastructures in Nigeria does not necessarily depend on the economic demand pressure brought on government by the tax-paying public as expected returns for their tax payments; rather it is politically allocated based on political pressure and the discretion of the government.

What are the implications of these relations among fiscal variables for the structural reforms in developing economy? These relations upon which SAP is founded are based on the workings of the market system. But in developing country such as Nigeria, government revenue and its expenditure are not strongly linked to the market behaviour. This makes it difficult to make predictions about the fiscal system based on the market-oriented relations and adjustment that do not exist. It is important to clearly specify fiscal relations in an economy in which government appropriates rental surplus revenue from seizure of land resources along with the operation of economic adjustment. For one, such a government will not have any reason to relax some of its repressive adjustment policies that had caused severe fall in output which would thus have correspondingly affected tax revenue negatively as expected in a system that government revenue is dependent on the level of economic production. Given the inordinate government intervention and control of land and mineral resources, government tax reforms in Nigeria do not have the inbuilt incentive for policy review, provided by government expected tax revenue, which would make the government interested in the rapid growth of the economy. The same argument can be prosecuted for the government provision of infrastructure.

3.3   Infrastructural Constraints

One of the assumptions that SAP proponents made, whether tacitly or explicitly, is the availability of infrastructure in the economy in sufficient quantity and quality. This flamboyant assumption is imposed across economic analysis because the study of infrastructure – its provision and its relationship in the economy – is a relatively recent area. For the developed countries, this assumption is tenable since infrastructural provision is engrafted into the public sector bureaucratic system, but in developing economies there is a need to answer the question of provision – the financing of its initial supply and maintenance from time to time. Infrastructure includes *economic overhead capital* – e.g., transportation, land development network, electricity and communications infrastructure, *social overhead capital* – health, educational and other social institutions that improve the quality and productivity of human capital, *entrepreneurial climate* – the business milieu and environment, and *civil overhead capital* – civic advantages that exist in some regions, making it more attractive to business activities (Bergman and Sun, 1996:12). More fundamentally, infrastructure literature usually refers to economic and social overhead capital as infrastructure. Adequate level of infrastructure exerts positive effects on the level of production.

Infrastructure enters the production function directly as input. This means that the level of output in an economy is positively dependent on the level of infrastructure supply – higher level of production requires higher supply of infrastructural services. However, in the formulation of the correspondent cost function dual, this public capital is treated as input that is provided at zero price to the private sector (Morrison and Schwartz, 1996; Conrad and Seitz, 1994; Lynde and Richmond, 1993). In the cost function, C,

$$C = C(p_i, Q, K_g)$$

Where p = price of private factor inputs i (i = capital, labour, energy, materials); Q = level of output; and K_g = index of infrastructure (public capital) that enters the production stream.

The shadow share value of public capital, derived by taking the first differential with respect to K_g (that is, $-\partial C/\partial K_g$), reveals the willingness to pay for the service or the user valuation of the infrastructure. This shadow value of public infrastructure across the sectors can be used to provide answer to the question of how much should be charged/paid for the use of public infrastructure by the private sector. This implicitly settles the problem of how much should be paid as taxes for the provision of infrastructures; and the answer is centered on the profit motive of the private sector, given that the shadow price is derived from cost-minimizing function.

Infrastructural expenditure is a part of government capital expenditure. Thus, what determines the level of government expenditure affects the supply of infrastructure. Normally, government should spend its tax revenue in a way that will maximize future tax yields. Hence, since the provision of infrastructure increases the tax base – economic activities, productivity, output and profit – and therefore enhances tax revenue, government would always ensure that adequate amount of infrastructure is provided in order not to jeopardize its revenue goal in the economy.

In Nigeria, however, the constitutional and inefficient appropriation of land resources by the government has eliminated the social goal optimization of balancing infrastructural provision with expected tax revenue from the private sector. The operation of SAP policy measures was at the expense of infrastructure owing to massive reduction in public expenditure in this sector. The downsizing of government expenditure outlay that SAP advocated had to be met through reduction in allocations to some sectors – and infrastructure sector was the prime victim of such a cutback in Nigeria. The effect was colossal fall in the level of output in the private sector. This would have been checked if government

revenue had a strong relationship with private sector performance. Although following the globalization of fiscal adjustment policy there has been a general sharp fall in infrastructural investment by about 50 per cent of what had been about 15 years earlier (as observed by Estache, 2004), yet there is a negligent attitude regarding the degradation in the stock of infrastructures on the part of Nigerian government. The neglect of infrastructural sector by the government during the period of SAP operation should be linked to the state's self-sufficiency in free oil revenue and irrelevance of income tax revenue generation, which has direct bearing with government provision and maintenance of infrastructure in the economy.

3.4   Social Institution Constraints

Some social institutions that provide a safety net for the vulnerable groups in the event of major changes in economic policies are well established in advanced economies. The problems emanating from such shocks are handled both by some governmental units and nongovernmental organizations (NGOs). On the contrary, in the LDCs where the structural adjustment and reform policies have been adopted with diverse adverse outcomes on the vulnerable segment of the population, the social institutions for the amelioration of sufferings resulting from such unintended effects of the policies were not aground or were unprepared (King and McGrath, 2004). It was only later when the unanticipated effects of the reforms had unfolded and violent protests erupted in some places, that some LDCs' government reacted by providing safety nets.

Another aspect of the economy which is very crucial to the achievement of any economic policy is the civil service and its bureaucratic structures. The civil service is made up of government ministries and departments of government, with the bureaucrats and professional personnel who serve in these institutions. It is an

important institution charged with implementing and contributing crucially to the formulation of government policies. Before the reforms, the service was marred by several weaknesses and problems. It was lacking in professionalism, over-staffed, ill-equipped for effective performance, poorly remunerated and poorly managed, with high level of inefficiency resulting (Phillips, 1988). The inefficiency of the civil service and related structures and the imperative of their reforms were observed and due policy action taken to align civil service reforms with the SAP implementation. In 1988, the civil service reforms were undertaken in Nigeria to rid the service of the observed problems.

Although one can, with some level of confidence, accept the fact that the civil service is better today than could have been without the reforms, failures of government policies in Nigeria are still blamed on poor implementation that are easily identified as the civil service problems (Obadan, 1998; Phillips, 1997). Bureaucratic bottlenecks, poor skills and obsolete equipment for workers, poor remuneration to workers (combined with falling real wage due to inflation), corruption, and moonlighting and fall in actual hours put into work in the civil service, among others, continue to stand out as the problems of the civil service not only in Nigeria but also across the sub-Saharan African countries (Toye, 1996; Chiwele and Colclough, 1996). Given the primary role of the civil service in the implementation of government policies, it is pertinent to confront the various impediments that constrain the efficiency of the civil service if economic reforms and other government policies must be efficiently implemented for the attainment of optimal policy-goals.

4. Some Illustrative Implications of Economic Reforms for Development

The long-term and overriding objective of the government is the attainment of development but the short- and medium-term objectives, some of which might not convey the long-term motive directly, must fit into attainment of this overall objective ultimately. For instance, the pursuit of increase in investment in the economy as policy objective to attainment of development, in the face of several internal and external constraints to investment in the immediate post-independence Nigeria, called for direct government participation in various economic investments. Such direct investments were wrought with many problems, especially, when consideration is given to private evaluation of projects. Nevertheless, government direct participation had broken down several walls of disincentives and opened up the economy to private investors, some of which were servicing companies to the government investment outlay. Government direct investment, thus, provided the minimum domestic investment requirement for the attraction of private investment both from domestic and foreign investors. The achievements of this initial set of government investments must first be evaluated bearing in mind the provision of the required encouragement for private participation in investment.

The costs and benefits of reforms in economic policies and economic reforms generally should also be considered using short and long term objectives of the government and the society. The continuous shrink in government direct investment performance in Nigeria since the 1980s, coincided with the downturn in government revenue, fall in trade balances and external reserves, and increase in agency costs and corrupt practices in the country. The grand design of economic adjustment programme was aimed at increasing the private sector participation in the economy, weakening government direct control, reducing its size and improving its performance in the economy.

These objectives have been obviously attained in some dimensions in Nigeria since the operation of the SAP. The size of the private sector has necessarily increased, at least if the number of quoted companies and the market capitalization of the Nigerian Stock Exchange (NSE) are used as indicators. However, it is difficult to smoothen out the strength of these economic reform programmes if their adverse effects on businesses are laid side by side with the gains. The number and value of deals by the government in the NSE, which were rising on the average between 1970 and 1986, have in the period 1987 to 2001 (the years of reforms) recorded declining average growth rate. The value of government stocks in the NSE really declined annually in absolute sense since the beginning of 1987 compared to those of the private sector. In fact the trend of transactions in the NSE prior to the SAP, as shown in Table 1, was dependent on the size of government transactions, while the private sector stocks have given firm lead and controlling share to the performance of the market since 1917. On the negative count in the production side of the economy, the business failure that followed the introduction of deregulation of interest and foreign exchange rates have been widely reported in the real sector, especially, among the manufacturing firms. Again, since the private sector was becoming more vibrant in taking greater risks than it could have done in the first two decades after independence, there was a need for a review of government strategy for development and participation in the economy. The privatization of state-owned enterprises has expanded the scale of transactions in the Nigerian Stock Exchange but some of the privatized firms are still unable to overcome the problems of inefficiency.

There has been the protection of public inefficiency through fraudulent privatization of dead or dying public corporations. The processes were generally unduly protected by government using unfair laws that condoned the inefficiencies of the privatized corporations or sub-sectors. There has been no

emphasis on the production activities of the privatized organizations at the point of privatization and physical output index considerations are not a part of government agencies' post-policy evaluation of the success of such organizations. The privatization of the marketing activities in the electricity corporation, the deregulation of the downstream sector of petroleum industry, and the commercialization/privatization in the communications industry all did not consider the ways of removing their inefficiencies or increasing their productive capacities. There are laws to protect the service providers even at the expense of the users of such services.

For instance, it is legally committal not to pay bills to National Electric Power Authority (NEPA) and Nigeria Telecommunication Plc (NITEL) but there is no law protecting the consumers against unexpected, sudden, constant and prolonged cuts in their services. Besides, whether electricity and communication services are provided or not by NEPA and NITEL respectively, some fixed costs must be paid by the users by way of the monthly access fees of N750.00 charged by NITEL and the fixed meter maintenance charge of N130.00 charged by NEPA. These charges are deadweight inefficiency costs that service users are forced to bear for these public utilities, which enable them (the utilities) to meet their prowling administrative costs even at near zero output level. Similarly, political leaders in Nigeria are repeatedly justifying their quest to privatize the downstream activities of the oil industry but they would not want to attend to the question of the unworkable state of the four refineries. Analogous cases can be cited in NEPA where colossal sums of national revenue have been sunk into various activities that would have culminated in the stabilization of power supply without any appreciable result. In all these cases, what can easily be appreciated in the process of privatization/commercialization are rapid increases in the prices of their products, which are often used

to protect them from the fall in revenue and losses caused by fall in demand for their services which is in turn caused by poor qualities.

Generally, where improvement in the organization performance can be achieved through internal adjustments to improve efficiency or through upward review in product prices, corporate managers will go for the latter. In Nigeria, the ease of increasing prices by the commercialized/privatized corporation has been specially indulged in the legal grafting of the deregulation process, in which the state obviously protects the investors. The service consumers are made captives in the process as a result of the high cost of providing alternatives for these services. For instance, in the case of electricity, the provision of substitute to publicly supplied services entails high overhead required for the purchase of generating set, and high and rapidly increasing cost of fueling such a set in the face of deregulation of the refined petroleum product markets. The limitations set on the satisfaction from the GSM phone services caused by signal congestion in the routes cannot be efficiently (or even effectively) mitigated by the service users, although some conceive the solution in terms of subscribing to many service providers. The sustenance of inefficiencies by deregulated corporations, the exploitative pricing that they adopt as a cost covering means, and measures adopted by the consumers to provide for alternatives, in all are impoverishing the service users.

The share of non-oil revenue in federally collected revenue, which started a downward trend with the discovery and exploitation of oil, drifted further during the period of SAP implementation. Five-year interval means series of the share of non-oil revenue in total revenue in Table 2 indicates that prior to SAP (1981 – 1985), its share was 30.43 per cent but in the period of SAP the share was actively declining to 28.58 per cent then down to 19.6 per cent for the periods 1986 – 1990 and 1991 1995, respectively. Thereafter, the economy has merely recovered to the pre-SAP share of non-oil revenue of about 24 per cent in the period 1996 – 2000.

Table 2: Performance of the Non-oil Federally Collected Government Revenue

Year	Oil Revenue	Non-oil Revenue	Total Revenue	Non-oil as a Percentage of Total.	Interval means of Non-oil Share	Growth in Non-oil Revenue	Interval growth rate in non-oil revenue
1968	0.00	230.00	230.00	100.00			
1969	9.80	295.20	305.00	96.79		28.35	
1970	166.60	467.40	634.00	73.72	90.17	58.33	43.34
1971	510.10	658.70	1168.80	56.36		40.93	
1972	764.30	640.80	1405.10	45.61		-2.72	
1973	1016.00	679.30	1695.30	40.07		6.01	
1974	3724.00	813.40	4537.40	17.93		19.74	
1975	4271.50	1243.20	5514.70	22.54	36.50	52.84	23.36
1976	5365.30	1400.70	6766.00	20.70		12.67	
1977	6080.60	1961.80	8042.40	24.39		40.06	
1978	4555.80	2815.20	7371.00	38.19		43.50	
1979	8880.80	2031.60	10912.40	18.62		-27.83	
1980	12353.30	2880.20	15233.50	18.91	24.16	41.77	22.03
1981	8564.40	4726.10	13290.50	35.56		64.09	
1982	7814.90	3618.80	11433.70	31.65		-23.43	
1983	7253.00	3255.70	10508.70	30.98		-10.03	
1984	8269.20	2984.10	11253.30	26.52		-8.34	
1985	10923.70	4126.70	15050.40	27.42	30.43	38.29	12.11
1986	8107.30	4488.50	12595.80	35.63		8.77	
1987	19027.00	6353.60	25380.60	25.03		41.55	
1988	19831.70	7765.00	27596.70	28.14		22.21	
1989	39130.50	14739.90	53870.40	27.36		89.82	
1990	71887.10	26215.30	98102.40	26.72	28.58	77.85	48.04
1991	82666.40	18325.20	100991.60	18.15		-30.10	
1992	164078.10	26375.10	190453.20	13.85		43.93	
1993	162102.40	30667.00	192769.40	15.91		16.27	
1994	160192.40	41718.40	201910.80	20.66		36.04	
1995	324547.60	135439.70	459987.30	29.44	19.60	224.65	58.16
1996	408783.00	114814.00	523597.00	21.93		-15.23	
1997	416811.10	174339.90	591151.00	29.49		51.85	
1998	324311.20	139297.60	463608.80	30.05		-20.10	
1999	724422.50	224765.40	949187.90	23.68		61.36	
2000	1591675.80	314483.90	1906159.70	16.50	24.33	39.92	23.56
2001	1707562.80	523970.10	2231532.90	23.48		66.61	
2002	1230851.20	1105133.30	2335984.50	47.31		110.92	
2003	2074280.60	1510770.50	3585051.10	42.14	37.64	36.70	71.41

Source: CBN Statistical Bulletin and CBN Annual Report and Statement of Accounts

5.   Conclusion

The evaluation of the achievements of SAP is beset with the set of problems as those of cost-benefit appraisal of a development plan because the programme itself is an elaborate programme of policies, like the development plan. Given the interactive net-work of relationships among economic variables, it is difficult to isolate, with any appreciable level of accuracy and precision, the effect of one policy measure from those of the related policies in the programme. Even when a general equilibrium or an elaborate macroeconomic modeling is adopted, there are questions regarding how to break down the level of current economic variable and distribute it between the cumulative effects of previous policies and the effect of SAP.

This can be seen, for instance, in the case where a post-policy evaluator is interested in finding out the effect of SAP on entrepreneurial development in Nigeria in the period 1986 – 2004. In both the formal and informal sectors, Nigerians' entrepreneurial skills and participation in private investment would clearly show demonstrable improvement over what they were prior to this period. Nevertheless, this cannot be wholly attributable to SAP policies, however well-modeled the analytical framework. The cumulative effects of prolonged investment in educational development, human capital formation and increase in savings (and availability of investible funds) owing to economic growth and development must be deducted before associating the residual to the effects of SAP.

Besides, it is also important to observe that while attempting such policy effect analysis, it is relevant to review and relate changes in the general economic environment such as infrastructural supply, the weather, type and dispositions of government and its administrative institutions, foreign terms of trade, international business climate, and adjust for them while analyzing the policy effects. Despite the neglects of some basic

environmental inputs at the policy formulation stage of SAP, it is necessary to evaluate the interactive effects of the policy programme on these factors and vice versa.

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Appendice

Table 1:   Comparison of Private and Public Sectors Activities in the Nigerian Stock Exchange (1970 - 2001)

	NUMBER OF DEALS									VALUE OF DEALS (N' Million)								
Year	No. of Gov Deals	Growth rate of Gov Deals	Intval mean growth rate	No. of Private Sector Deals	Growth rate of Private Sector Deals	Intval mean growth rate	Total No. of deals	Growth rate of Total	Intval mean growth rate	Value of Gov Deals	Growth rate of Value of Govt Deal	Intval mean growth rate	Value of Priv Sector Deals	Growth rate of private Deals value	Intval mean growth rate	Total value of deals	Growth rate in total value of deals	Intval mean growth rate
1970	303			331			634			16.40			0.20			16.60		
1971	204	-32.67		748	125.98		952	50.16		32.70	99.39		3.50	1650.00		36.20	118.07	
1972	258	26.47		640	-14.44		898	-5.67		26.20	-19.88		1.00	-71.43		27.20	-24.86	
1973	285	10.47		537	-16.09		822	-8.46		91.90	250.76		0.50	-50.00		92.40	239.71	
1974	256	-10.18		20807	3774.6		21063	2462.4		49.40	-46.25		1.30	160.00		50.70	-45.13	
1975	203	-20.70	-5.32	501	-97.59	754.51	704	-96.66	480.35	62.80	27.13	62.23	0.90	-30.77	331.56	63.70	25.64	62.69
1976	321	58.13		696	38.92		1017	44.46		111.30	77.23		0.60	-33.33		111.90	75.67	
1977	337	4.98		1314	88.79		1651	62.34		178.80	60.65		1.20	100.00		180.00	60.86	
1978	243	-27.89		2230	69.71		2473	49.79		187.20	4.70		2.50	108.33		189.70	5.39	
1979	124	-48.97		3099	38.97		3223	30.33		249.70	33.39		4.70	88.00		254.40	34.11	
1980	220	77.42	12.73	6918	123.23	71.93	7138	121.47	61.68	380.80	52.50	45.69	7.90	68.09	66.22	388.70	52.79	45.76
1981	118	-46.36		10081	45.72		10199	42.88		298.70	-21.56		6.10	-22.78		04.80	-21.58	
1982	184	55.93		9830	-2.49		10014	-1.81		207.00	-30.70		8.00	31.15		215.00	-29.46	
1983	292	58.70		11633	18.34		11925	19.08		384.80	85.89		13.10	63.75		397.90	85.07	
1984	194	-33.56		17250	48.29		17444	46.28		240.90	-37.40		15.60	19.08		256.50	-35.54	
1985	340	75.26	21.99	23231	34.67	28.91	23571	35.12	28.31	295.30	22.58	3.76	21.30	36.54	25.55	316.60	23.43	4.38
1986	270	-20.59	7.90	27448	18.15	268.43	27718	17.59	179.33	477.60	61.73	38.76	28.30	-4.69	132.00	497.90	57.26	38.84

Year																		
1981	118	-46.36		10081	45.72		10199	42.88		298.70	-21.56		6.10	-22.78		304.80	-21.58	
1982	184	55.93		9830	-2.49		10014	-1.81		207.00	-30.70		8.00	31.15		215.00	-29.46	
1983	292	58.70		11633	18.34		11925	19.08		384.80	85.89		13.10	63.75		397.90	85.07	
1984	194	-33.56		17250	48.29		17444	46.28		240.90	-37.40		15.60	19.08		256.50	-35.54	
1985	340	75.26	21.99	23231	34.67	28.91	23571	35.12	28.31	295.30	22.58	3.76	21.30	36.54	25.55	316.60	23.43	4.38
1986	270	-20.59		27448	18.15		27718	17.59		477.60	61.73		20.30	-4.69		497.90	57.26	
1987	238	-11.85	7.90	20401	-25.67	268.43	20639	-25.54	179.33	340.00	-28.81	38.76	42.40	108.87	132.00	382.40	-23.20	38.84
1988	96	-59.66		21465	5.22		21561	4.47		99.40	-70.76		33.00	-22.17		132.40	-65.38	
1989	174	81.25		33273	55.01		33447	55.13		507.00	410.06		63.00	90.91		570.00	330.51	
1990	102	-41.38	-10.45	25828	-22.38	6.07	25930	-22.47	5.83	155.00	-69.43	60.56	83.00	31.75	40.93	238.00	-58.25	48.19
1991	45	-55.88		44235	71.27		44280	70.77		92.60	-40.26		141.80	70.84		234.40	-1.51	
1992	71	57.78		48958	10.68		49029	10.72		85.00	-8.21		406.60	186.74		491.60	109.73	
1993	39	-45.07		40359	-17.56		40398	-17.60		84.20	-0.94		719.70	77.00		803.90	63.53	
1994	4	-89.74		10296	-74.49		10300	-74.50		3.30	-96.08		225.90	-68.61		229.20	-71.49	
1995	0	-100.0		12391	20.35		12391	20.30		0.00	-100.0		459.70	103.50		459.70	100.57	
1996	11		-46.58	37601	203.45	2.05	37612	203.54	1.94	90.10		-49.10	6871.10	1394.69	73.89	6961.20	1414.29	40.16
1997	7	-36.36		76137	102.49		76144	102.45		72.60	-19.42		10958.0	59.48		11030.6	58.46	
1998	11	57.14		53367	-29.91		53378	-29.90		10.90	-84.99		8094.20	-26.13		8105.10	-26.52	
1999	4	-63.64		18774	-64.82		18778	-64.82		0.80	-92.66		8003.00	-1.13		8003.80	-1.25	
2000	8	100.00	14.29	86575	361.14	114.47	86583	361.09	114.47	8.10	912.50	178.86	8735.30	9.15	287.21	8743.40	9.24	290.84
2001	3	-62.50	-19.28	127189	46.91	42.78	127192	46.90	42.70	11.00	35.80	53.34	15261.2	74.71	139.31	15272.2	74.67	127.56

Source: CBN (2002) Statistical Bulletin