Review, Challenges and Future Prospects of Reforms in African Economies: An Appraisal of the Nigerian Situation

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Abstract:
African economies have over the years undergone series of reforms, since the late 1950s and 1960s when many of the countries gained political independence. Many of the reforms have been largely economic, in the quest to enhance the living standards of their peoples since independence. Across Africa, varying results have been obtained with majority of these not yielding the desired outcomes. This paper undertakes a review of reforms in African economies, with a particular focus on Nigeria, which recently attained the status of the largest economy on the continent. In evaluating the challenges and future prospects of economic reforms in these economies, it was observed that the issue of focused leadership and reform of the public sector are critical in ensuring that economic reforms achieve the desired goals on the continent.

Keywords: Public Sector Reforms, Developing Economy Reforms, Policy Consistency, African Economies, Nigerian Economic Developments

Introduction
The current drive to improve the performance of the economies of African countries through public service reforms has been aimed at increasing efficiency, effectiveness, and the delivery of quality service to the public. The relationship between the government and the public service in Nigeria for example, has endured through the various administrations in the country since independence. Almost all African countries are caught in the web of public sector reform. Public service reforms, which have taken place in Africa during the last two decades, are part of a global phenomenon that has touched all parts of the world – developed, developing, and countries in transition (Mutahaba & Kiragu, 2010). In Nigeria, public sector reforms have been on the agenda for a number of years. Given the performance of the public service in the first few years of independence, there was great hope that the expectation of Nigerians for rapid socio-economic development would be fulfilled with reasonable efficiency. The ills of the Nigerian public sector have been identified at various times. The Ayida Panel, which was instituted to review past public service reforms in Nigeria with
a view to proffering measures to further re-invigorating the service, identified the major ills of the service. Adegoroye (2008) identified among others, politicization of the top hierarchy of the civil service; lack of financial accountability and probity and perpetual breakdown of discipline, among others. Meanwhile, Schacter (2000) observed that much of the public sector reform activity supported by donors over the past decades fits into different areas which include the administrative capacity building; strengthening policy capacity; institutional reform; and civil service downsizing. African leaders see the public sector reforms as commercialization of all state-owned enterprises so as to make profit. Consequently, every sector of the economy is commercialized, namely health; education; electricity and agriculture, among others, whereas these services are heavily subsidized in the developed countries (Omoyefa, 2008).

In this regard, this paper which appraises the trend of public sector and other reforms in Africa is organised into five sections. Section I provides the introduction while Section II evaluates the lessons of international and African public sector reforms perspectives. Sections III appraises the various economic reforms in Nigeria while the conclusion is presented in Section IV.

Lessons Of International And African Public Sector Reform Perspectives

The trend in public sector reforms begun in Europe in the late 1970, particularly in Britain, since Margaret Thatcher took office (Kickert, 1997). As observed by Agagu (2008), the reform of public service has been placed on the policy agenda of almost every European government whatever their political complexion, although the timing and the pace, among others vary greatly across Europe. Following the global reform trend, Korea adopted many reforms toward New Public Management (NPM), especially the Kim Dae-jung government. Economic crisis, telecommunication revolution, as well as globalization seem to have steered the government towards the NPM style of reform. The Federal Republic of Germany introduced a new steering model or Neves Streuerungs” to enhance public sector reforms(Seiller, 1993). The features of the model according to Agagu (2008) include output and result-orientation; output budgeting and performance indicators; This model was basically fashioned after the Dutch local government reforms in the 1980s. Stockhlom (2005) provides empirical results from the attempts to reform African public service in accordance with the New Public Management (NPM) in five countries: Ghana, Kenya, Tanzania, Uganda, and Zambia. The study underscores the notions of three generations of reforms in the continent. It is also noteworthy that in the five countries, many of the gains of structural public sector reform program measures have been reversed. The first generation of reforms focused on structural reforms as part
of the Structural Adjustment programmes, SAPs, imposed by the World Bank from the beginning of the 1980s. It focused on the redefinition of the role of the state with a view to ensuring that it only performed functions that should be at the level of the state leaving the other functions to sub-national governments, the private sector, and informal sector. The main issues here are the need for the state to provide an environment that is conducive to private sector development, decentralization of functions to subnational governments, and the privatization, commercialization, or liquidation of non-functioning, unnecessary public enterprise (Mutahaba and Kiragu, 2002). The second generation of reforms focused on capacity building for improved service delivery. Lessons from the SAP based reforms indicated that weak capacity was the root problem in the poor delivery of services. The next focus for reforms shifted from cost reduction and cost containment for capacity building (Stockholm, 2005). The third generation of reforms focused on service delivery improvement. A number of factors made this necessary. Among them were the need to demonstrate early results, public demands for transparency and accountability. It, therefore, laid emphasis on measures for enforcing the accountability of the government to the governed through increased transparency, openness, and citizen participation.

In Ghana, for instance, public sector reform became a component of the government economic program, with the financial support given through World Bank’s Structural Adjustment lending. In Kenya and Zambia, the pace of implementing structural public sector reform programs has been comparatively slow and less far-reaching. In both countries, macroeconomics and fiscal adjustment – driven reform measures remain high on the agenda of the public sector reform programs, despite the fact that SAP driven reform initiatives were formally launched in the early 1990s (Kiragu, 2002). In Uganda there has also been substantial public sector reforms, with a number of important successes initiated in 1982. Generally, African countries have, over the years, strived to employ the machinery of the public administration to a fast-track socio-economic development and put behind them their state of backwardness. While noticeable achievements have been made, nevertheless, much still remains to be accomplished.

The mistakes of the past, regarding public sector reforms provide indications of promising paths for future effort. The basic and fundamental approach of Africa to the reform in its public sector is the reform of the minds of African leaders. This is very important because it is only a reformed mind that can reform the body polity. There is the need to evolve an African public service culture or tradition, which is value-based. It is expected that this would draw from universal public values such as public trust, impartiality, equity, transparency, ethnical standard and selflessness, among
others. For a meaningful, impact-felt reform to be successfully carried out in Africa, it must put into consideration the behavioral pattern, the social context, as well as cultural milieu of the people whom the reform is meant for, together with the vehicle of the reform. In Nigeria, the public sector reforms has been on the agenda for a number of years. Moreover, given the performance of the public service in the first few years of independence, there was great hope that the expectation of Nigerians for rapid socio-economic development would be fulfilled with reasonable efficiency.

**Appraisal Of Economic Reforms In Nigeria**

Since the 1980s, a number of reforms have been undertaken in Nigeria, some of which are: (i) Structural Adjustment Programme, SAP (ii) National Rolling Plans (iii) The National Economic Empowerment and Development Strategy, NEEDS (iv) Vision 20 2020 (v) Financial Sector Reforms (vi) Petroleum Sector Reforms and (vii) New Public Sector Reforms

**Structural Program (SAP)**

The Structural Adjustment Program (SAP) was introduced in mid-1986 as a short-term reform program that was expected to terminate by mid-1988, but it continued thereafter until it was abandoned in 1994. It was the most revolutionary approach to solving Nigeria’s long-standing economic problems and the most controversial program of stabilization and development ever instituted in the country. Two of its broad objectives were: (i) Re-structuring of aggregate domestic expenditure and production patterns so as to minimize dependence on imports; and (ii) Diversification of the productive base of the economy in order to reduce dependence on the oil sector and enhance non-oil exports. The objectives were to be achieved through private sector-led development strategy and reduction in the size of the public sector. Accordingly, the measures adopted included the following: (i) Exchange rate deregulation; (ii) Liberalization of various sectorsof the economy; (iii) Abolition of agricultural marketing boards; (iv) Cut in extra-budgetary spending; (v) Tight fiscal policy; (vi) Reduction in subsidies; (vii) Privatization and commercialization; and (viii) Staff rationalization in the public sector.

The performance of SAP was a mixed package of outcomes. The gains included reversal of the negative economic growth trend of the early 1980s, some impressive growth rates in the period 1988-1990, substantial boost in government revenue, increase in agricultural exports, improvement in external payments arrangements and international credit worthiness, and a fairly stable investment
ratio in spite of excruciating inflation rate. However, this program was not particularly successful in addressing the fundamental economic problems of the country as in most countries where it was introduced. The negative effects of SAP included rapid depreciation of the local currency, high and volatile interest rates, near paralysis of the real sector, galloping inflation, heavy debt overhang, increasing unemployment and deterioration in living standards of the average Nigerian, among others. In the final analysis, SAP created enormous distortions in the economy and failed to redress the fundamental economic problems of the country.

The structural reform process has since then become an integral part of development plans beginning with the first Rolling Plan which covered the period 1990-1992, and over twelve rolling plans implemented. The NEEDS framework of development and the long-term vision framework also build on the structural reforms of the economy.

**National Rolling Plans**

The National Development Plan framework that was suspended following the adoption of SAP in 1986 was re-introduced in 1990 as National Rolling Plan, which is a flexible development plan compared with the previous plans that had fixed terms. The first National Rolling Plan, 1990 – 1992 took its bearing from SAP. Accordingly, the plan’s general objective was to consolidate on the achievements made in the implementation of SAP as well as address the pressing problems of the economy.

The specific objectives were to:

- Attain a higher level of self sufficiency in the production of food and raw materials;
- Lay a solid foundation for self reliant industrial development as a key to dynamic and noninflationary growth;
- Create ample employment opportunities and containing the unemployment problem.
- Strengthening the base for a market-oriented economy.

The priority programs of the plan included integrated rural development, provision of basic infrastructure, and development of small and medium scale enterprises. The plan was expected to produce cumulative total investment of N144.2 billion at current prices, with public sector contributing 65.3 per cent and private sector 34.7 per cent. The plan however lacked adequate coordination and orientation, and according to Yesufu (1996), it was only developed to package the myriads of uncompleted public sector projects. It also suffered from other problems, among which are:

1. Resource constraints due to rising recurrent expenditures
2. Cost overruns that made nonsense of plan/budget provisions and prevented several projects from taking off.

3. Extra-budgetary expenditures which exerted a crowding out effect on planned programs.

Since the launching of the rolling plan in 1990, it had been rolled over yearly, and at the end of about twelve rolling plans in 2003, Nigerians were not better off than they were during the years of fixed medium-term planning. Shortly after adopting the national rolling plan strategy, the preparation of a long-term perspective plan that would encapsulate the rolling plans over a period of twenty years was inaugurated. The plan preparation had made considerable progress before it was jettisoned in favour of the vision 2010 framework. The vision 2010 document, 1997, represented a framework for guiding the country toward economically prosperous, politically stable and socially harmonious system in the long-term. Annual budgets and rolling plans were to be used to implement the vision 2010 and were expected to cover the period 1997 – 2010. But it was jettisoned by the new democratic government that came to power in 1999, in favour of a new market-based approach christened National Economic Empowerment and Development Strategy (NEEDS).

**National Economic Empowerment and Development Strategy (NEEDS)**

This strategy was articulated in 2004 to guide Nigeria’s development in the desired direction. It effectively replaced the previous plans in the country, namely the fixed medium term and rolling plans. It identified the problems of the country and accordingly prescribed strategies for developing various sectors of the economy such as agriculture, industry, infrastructure and social services. The NEEDS framework was essentially an articulation of planned policy actions of the federal government, which was expected to be complemented by State Economic Empowerment and Development Strategy (SEEDS) at the state level and by Local Economic Empowerment and Development Strategy (LEEDS) at the local level. The broad goals of NEEDS were;

1. Re-orientation of national values.
2. Reduction in the level of poverty
3. Employment generation

In order to gauge the achievement of the set goals, the NEEDS document provided targets for various segments of the national economy over the 2003 – 2007 period.

In broad terms, NEEDS was expected to achieve its goals through the following measures;

1. Privatization and deregulation/ liberalization of key sectors of the economy.
2. Coordination of national and sectoral development strategies for agriculture and industry, with emphasis on small and medium scale enterprises (SMEs) as well as tourism.
3. Development of infrastructure, particularly electricity, water supply and transport.
4. Strengthening the financial sector for mobilization of savings toward long-term investment.
5. Targeting programs that promote private sector growth and development.
6. Creation of effective regulatory systems.
7. Special support to agriculture in irrigation, mechanization and crop varieties.

The performance of the economy under NEEDS in terms of macroeconomic indicators may be described as an improvement over the previous periods. For example, the inflation targets for 2004 and 2006 were achieved, but the rate increased to 11.6 per cent in 2005. National savings improved, but gross capital formation remained low (11.9 percent in 2004 and 12.0 percent in 2005), which implied that the relatively high savings rate could not be translated into investment. The fiscal position of government improved in the first two years with reduced fiscal deficits in relation to the targets, but the recurrent expenditure/total budget ratios were still higher than the targets.

Vision 20:2020 Framework of Development
This framework of development is an attempt by government to take a long-term view of development issues. The Vision was introduced in 2010 to cover the period 2010-2020 which is to be implemented through a number of medium-term plans using modules such as the medium term fiscal framework (MTFF) and medium term expenditure framework (MTEF). The medium-term implementation plans are incorporated in the long-term Vision so that plan policies could be fine-tuned with each successive implementation plan to re-direct the economy towards achieving the set targets of the vision.

The Vision is actually a perspective plan and an economic blueprint that seeks to capitalize on the country’s resource endowments to steer the nation towards a sustained growth turn-around such that it could be a significant player in the global economy. To realize the vision, the economy is planned to grow at 14% per annum from 2010 to 2020, while the target for GDP is $900 billion and per capita of not less than $4,000 per annum. In terms of broad economic planning, the focus of the vision is on:

1. Broad based market oriented economy
2. Private sector driven development
3. Market liberalization and deregulation.
4. Market forces (free floating exchange rate and appropriate pricing).
5. Export oriented economic activities.
6. Resource based industrialization
7. Diversification of the economy
8. Pro-poor development involving employment, economic empowerment and poverty reduction programs

Economic Policies for achieving the goals and objectives include;

1. Revitalizing the economy to facilitate increased production, job creation and wealth generation.
2. Making the business environment and emerging market place conducive to business.
5. Improvement in fiscal management.
6. Transparency in the petroleum sector.
7. Strengthening of infrastructure and social services particularly transportation and electricity.
8. Restructuring of the economy and infrastructure through privatization particularly in the energy (electricity) sector.
9. Diversification of the foreign exchange earning capacity of the economy.
10. Stimulating growth of the nonoil sector.

The first implementation plan which covered the period 2010-2013 was mainly directed at infrastructure, growth optimization, improved governance and security, and sustainable development, through projects and investments by governments and the private sector. The Transformation Agenda is another medium term development strategy (2011-2015) within the Vision 20:2020 which the government is using to actualize and speed up the Vision 20:2020, with emphasis on the following goals:

• Macroeconomic stability;
• Good governance and effective institutions; Human Capital Development;
• Real Sector Development; Infrastructure Development; Sustainable growth and development.

Financial Sector Reforms
In Nigeria, the financial system was under serious repression in the 1970s but was considerably liberalized in 1986 to enable it grow and facilitate, among other things, rapid economic growth and
integration of the country into the global economy. Iganiga(2010) reveals that overtime the financial system has indeed been positively influenced by the liberalization policy. In his argument, the adoption of market determined cash reserve requirement and increased capital base of banks over the period 1987-2008 rekindled public confidence in the financial system, causing cash intensity and domestic savings to rise significantly.

Also, the reduction of government ownership interest in financial institutions led to improvement in financial development indicators. The liberalization policy was very instrumental in expanding activities of the financial sector which generated mixed effects on the economy (Edo, 2012). The banks accounted for more than 80 percent of expansion in the sector with the number of commercial banks and merchant banks increasing astronomically between 1986 and 2005 as well as their network of branches which they used to mobilize tremendous amount of deposits. Prior to 1986, bank deposits recorded modest growth which eventually exploded following liberalization of the sector. Generally, expansion in bank deposits was considerably large in the liberalized period of 1986 – 2009 compared with the past period of 1960-1985.

The financial sector in Nigeria therefore grew quite significantly after 1986 and the growth has been characterized by intense competition among the banks and other financial institutions. In order to sustain the growing confidence of the public in the sector, the government established the Nigerian Deposit Insurance Corporation (NDIC) in 1988 to provide insurance cover for depositors’ money. The Central Bank of Nigeria (CBN) also provided protection for depositors by checking the books of all licensed banks to address anomalies that may lead to distress and loss of deposits. Since the establishment of NDIC and the effective CBN monitoring of the banks, the sector has been relatively stable.

These reforms were not limited to the money market institutions as the capital market institutions have also gone through considerable reforms leading to impressive growth in market capitalization and volume of trade (Ariyo and Adelegan, 2005).Several analysts have acknowledged the mixed effects of financial sector reforms on the Nigerian economy. Ogun and Akinlo (2011) argued that the financial reforms led to financial deepening, increase in credit to the private sector, and growth in stock market activities. However, this did not translate into real growth of the economy, as investment remained very low relative to pre-reform period.
Petroleum Sector Reforms

The petroleum sector in Nigeria was in a parlous state prior to the return of democratic governance in 1999. This led to the cardinal thrust of the democratic government in 1999 to undertake reforms in the sector which include several elements some of which are indicated below:

1. Transparency in investment, award of oil blocks, revenue accounting, and auditing, aimed at checking corruption in the sector.
2. Introduction of local content bill to reduce the high foreign content in the sector, which would enhance utilization of indigenous human and material resources, and thus create several job opportunities for the teeming unemployed Nigerians.
3. Deregulation of the sector to stem incessant scarcity of petroleum products and unhealthy government monopoly of supply.
4. Establishment of Nigerian Liquefied Natural Gas Plant as well as collaboration between government and major oil companies in other Liquefied Natural Gas (LNG) projects aimed at reducing gas flaring through export and domestic utilization.

The delay in the passage of Petroleum Industry Bill (PIB) by the parliament appears to be impeding investments in the industry and also responsible for the withdrawal of some international oil companies from previous commitments in the sector such as Liquefied Natural Gas Projects in Brass and Olokola. Deregulation of the sector has not been successful due to likely shortterm negative effects on the populace which has prompted resistance from the civil society to any move by government to increase prices of petroleum products. Thus the success of reforms in the petroleum sector depends largely on the determination of government to implement such reforms and the willingness of the populace to partner with government in this direction.

Public Sector Reforms

Several reforms have been undertaken in the Federal Civil Service in order to institute transparency and enhance productivity. The Due Process Compliance (DPC) principle was introduced in 2001 to provide clear guidelines and processes for procurement and contracting in the civil service. The framework of guidelines on planning and budgeting, contract award processing, and project governance, was reputed to have saved the federal government several billions of Naira through project cost reduction. Again, the Bureau of Public Procurement (BPP) established by the Public Procurement Act 2007 has saved the nation over N530 billion by its interventions in inflated contracts, as at the end of 2013 (Ehikioya, 2013).
The reforms have been further consolidated by the Fiscal Responsibility (Establishment)Commission Act 2007 that instituted a Commission to enforce fiscal prudence, sound financial practice, transparency and accountability in the management of public funds. Reforms have also been carried out in public utilities through the privatization of power generating and distribution companies as well as development of public-private partnerships in some areas such as roads and airport terminals. There has been progressive de-subsidization of petroleum products.

The most current was the partial withdrawal of subsidy from some petroleum products in 2012 which generated huge protests across the nation. The government had to establish a Subsidy Reinvestment and Empowerment Program (SURE-P) to ensure the proceeds are utilized in a transparent manner for the benefit of the citizens. The program is meant to create jobs, empower citizens, and improve transportation and health care. There have also been efforts to increase transparency in the management of petroleum products subsidies. The major problems with these reforms so far pertain to policy instability and lack of government commitment to faithfully implement the reforms. There have been difficulties in consensus building around some of the reforms in the fiscal and energy sectors, while subsidy removal has been resisted.

Conclusion

Building of critical institutional capacities for good governance, economic growth, and development is very critical for a developing country like Nigeria. Hence, any meaningful reform should be carefully formulated and implemented, taking into account the specific needs of the continent. This paper has argued that although the public sector and other reforms is essential in order to invigorate the process of service provision to the general society, an attempt must be made to indigenize the public sector reform in Africa. The paper is an attempt to redirect African thought on economic reforms. It has articulated the underlying causes of the failure of the public sector reform in Africa and has proffered future directions. It has also called for focus and proper articulation in undertaking other economic reforms – if Africa is to experience the much-desired growth and development to enhance living standards for the general populace.

References


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