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GEO-POLITICS

LECTURE TWO - ISSUES ON NIGERIAN AFFAIRS

LECTURE NOTES FOR
SENIOR STAFF COURSE QUALIFYING EXAMINATION

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PART ONE

CONSOLIDATION OF THE NIGERIAN BANKING INDUSTRY

INTRODUCTION

1. The former Governor of the Central Bank of Nigeria (CBN). Professor Charles Soludo, on Tuesday 6 July 2004 addressed the Chief Executive Officers (CEOs) of Nigerian banks, directing them to raise their capital base to N25b on or before 31 December 2005 or merge. There have been earlier similar directives to banks to raise their capital base to N1b for older banks before December 2005 while new banks must have N2b before licenses could be issued to them. This new directive of July 6 was a strategy to mop up numerous banks in the country to forestall frequent cases of failures and distress.

2. At the inception of the Structural Adjustment Programme (SAP) in 1986, there were 40 banks in the country. By the end of 1990, their number (both commercial and merchant banks) had risen to over 107 because SAP encouraged the indigenes to establish banks. Today in Nigeria, there are 89 major banks with about 3,300 branches all over the country with many having capital base of less than \$10m, compare this with an amalgamated bank in South Africa “the Amalgamated Bank of South Africa” with larger assets than all Nigerian banks put together. With this new policy encouraging amalgamation, the present number of banks in the country would be reduced to a manageable size, with no more than 10 to 20 mega banks in the year 2025 - 2050.

TRAINING OBJECTIVES

3. At the end of this module, the learner will be able to:
- a. Identify the major reasons for the re-capitalization policy.
 - b. Explain why there had been proliferation of banks in the country since 1986.

OBJECTIVES OF THE POLICY

4. What the reform is set to achieve are:
 - a. To raise the capital base of banks from below N1b to N25b by Dec 2005.
 - b. Encourage banks merger and acquisition with a view to raising their capital base, and enhance branch expansion and to achieve global competitiveness.
 - c. Phased withdrawal of public sector funds from all banks starting in July 2004.
 - d. Adoption of risk-focused and rule-based regulatory frame work so that arbitrariness is reduced to the barest minimum
 - e. Automation of process for rendition of returns by banks.
 - f. Establishment of a hot-line Internet confidential address of the CBN governor for all Nigerians willing to share any confidential Information with the governor on the operation of any bank.
 - g. Strict enforcement of a contingency plan against systematic bank distress.
 - h. To establish and manage an “Assets Management Company”.
 - i. To enforce all the dormant laws especially those relating to the vicarious liability of the board members of banks and other financial Institutions, in cases of distress and failings.
 - j. Revision and updating of relevant laws and drafting of new ones relating to the effective operations of the banking system.
 - k. Closer collaboration with the “Economic and financial Crimes Commission EFCC, in the establishment of a financial Intelligence unit, to enforce money laundering and other economic crime measures.
 - l. To rehabilitate and effectively manage the “Nigerian Security, Printing and Minting Company” NSPMC, to meet the Security Printing

needs of Nigeria including the banking system.

THE LEGAL FRAME WORK

5. The legality of the policy is based on the “Banks and Other Financial Institutions Act 1991” (BOFIA 1991). However, the bill is yet to be passed by the National Assembly. The CBN governor promised to make recommendations to the appropriate authorities to draft and forward same to the National Assembly for the necessary amendments to the BOFIA for legitimacy.

6. Until the amendment to the Act is made, the CBN does not have power under BOFIA to withdraw the license of any bank that has met initial capital requirements, still solvent and able to meet the obligations of its customers.

IMPORTANCE OF THE POLICY

7. The importance of the reform is to consolidate the banking sector so as to forestall frequent cases of failures and distress. The reform will:

- a. Recognize that banks amalgamation will lead to few mega banks with larger capital base.
- b. Assimilate the following terms:
 - i. Merger and Acquisition.
 - ii. Mega banks
 - iii. Amalgamation of banks
 - iv. Capitalization.
 - v. Money laundering.
 - vi. Rounds tripping of foreign exchange.
 - vii. Assets management company AMC.
- d. Identify the problems and achievements of the reform.
- e. Explain the suggestions offered to reduce the hardship faced by bankers by the introduction of the reform.

PROBLEMS OF THE REFORM

8. Some problems, which the reform is facing, are from the banking sector itself. Some banks CEO's are skeptical of merger. They have opted for the

capital market to raise the necessary funds. They therefore forward falsified documents to the capital markets.

9. Some banks have engaged themselves in foreign exchange “round-tripping” and other malpractices in a desperate bid to meet the capital base of N25b. Round-tripping is the practice by which banks buy foreign exchange from the official market (the Dutch Auction System) only to resell them to forex users at a black or parallel market at a premium.

ACHIEVEMENTS OF THE REFORM

10. The reform has been recording some level of achievements, these includes:

- a. Some banks have arranged to merge. The CEOs have signed the “Memorandum of Understanding” of the merger. The new name is “The first consolidated Bank of Nigeria”. It is made up of All States Trust Bank Plc, Universal Trust bank plc, Hallmark Bank plc, Gulf Bank plc and the Lion Bank. Another 4 banks have signed the MOU and called the new name “Inter Continental Group”.
- b. Some banks which do not want to lose their identities or those that want to go into merger with stronger capital base are already issuing fresh shares or right issues.
- c. Banks with large foreign Investors are already discussing with their foreign owners to plough-in more capital.
- d. Phased withdrawal of public sector funds have started.

SUGGESTIONS

11. Because of the huge amount involved in the requirements, some bankers have offered suggestions to alleviate the hardship in getting the N25b. amongst them are:

- a. A proposal by the Bankers committee to classify banks into three tiers. Each tier will have a different amount of capital base. The three

amounts suggested are N5b, N15b and N25 respectively.

b. Some have suggested that the time requirement should be spread. That 10 years should be given as the minimum years.

c. Some have suggested staggered capitalization: This means that a particular amount of about N5b should be given as capital base in the first 3 years, N10b in the next 3 years, and N15b in the following 3 years etc.

CONCLUSION

12. At present, the full impact of the consolidation policy on the banking industry can hardly be sufficiently evaluated since most of the expected effects can only be fully apparent in the medium to long-term. Besides, the financial system is still subject to some fundamental contrast, which will remain obscure for some time, the effects of the reforms already undertaken. In spite of the improvement expected by the banks consolidation policy, the sector is still beset with a number of problems, which may mitigate against the policy. Prominent among these are poor management, increase in fraudulent process and scarcity of professional staff.

13. How fast these reforms would happen would be the real test of this consolidation exercise as not many banks have attractive credentials or potentials. Not many of them have clean records. For many that are unable to access the capital market or get fresh injection of shareholders funds, the bigger banks are waiting in the wings to take on the “not-so-willing” and fragile ones. help the banking sector become stronger players in the global economy. It will help banks generate higher returns to the shareholders overtime. Consolidation will result in bigger banks and hence bigger business in both the Nigerian market and World market.

PART TWO

**WOMEN TRAFFICKING AND CHILD LABOUR ERADICATION
FOUNDATION (WOTCLEF)**

INTRODUCTION

1. With the abolition of the Trans Atlantic slave trade by the Western World more than 200 years ago, one would have thought that trafficking in human beings should have been assigned to the dustbin of history. However, this is not so, rather, one is taken aback by reports from different corners of the globe in recent years which indicate that slavery is still alive and thriving.

2. This obnoxious practice of selling human beings into one form of degrading condition or another was extremely worrisome to Hajiya Amina Titi Atiku Abubakar, wife of the former Vice President of the Federal Republic of Nigeria. To combat this, she formed a frontline International Non-Governmental Organization with the avowed responsibility of building community awareness and action against the abuse of the rights of women and children. This culminated in the formation of the Women Trafficking and Child Labour Eradication Foundation (WOTCLEF).

TRAINING OBJECTIVES

3. At the end of this lecture, candidates will be able to:
 - a. Understand the meaning of WOTCLEF.
 - b. Highlight the reasons for the formation of WOTCLEF.
 - c. Understand the function of WOTCLEF.
 - d. Outline some of the achievements of WOTCLEF.
 - e. Recognize the factors militating against the fight on human trafficking.

- f. Understand the legislation against human trafficking and child labour.

FUNCTIONS OF WOTCLEF

4. These include:
 - a. To rehabilitate, re-orientate and equip victims of trafficking and child migration.
 - b. To establish the WOTCLEF Rehabilitation and special purpose centre in Abuja, Nigeria with affiliates in Africa and worldwide.
 - c. To network and collaborate with concerned parties and crusaders worldwide on concerted, pragmatic action for the eradication of all forms of trafficking and child labour.
 - d. To place the African dimension on the global agenda for special attention and action.
 - e. To generate, organize and disseminate critical data and up date information on the crusade.
 - f. To produce and publish multi-media materials for local, regional and global crusaders.
 - g. To mobilize and engage multi-sectoral and trans agency resources providers for the sustainable prosecution of the crusade.
 - h. To work with relevant partners and concerned parties for the enactment and enforcement of appropriate legislation, conventions and treaties at local, regional and global levels.

ACHIEVEMENTS OF WOTCLEF

5. WOTCLEF has recorded a lot of achievements:
 - a. Through the coordinated use of the nation's crime prevention and law enforcement resource WOTCLEF has been able to considerably

liberate and uplift the vulnerable, especially women and children from, the dehumanizing and exploitative tentacles of the human traffickers.

b. It has also ensured their rehabilitation and effective reintegration into society. For example, on Sunday April 9th 2004, 25 girls deported from Italy and Saudi Arabia were released to their families through WOTCLET. In a one day orientation course for them, Hajiya Atiku Abubakar assured the deportees that all hope was not lost as they were rehabilitated.

c. WOTCLEF has consistently organized and promoted enlightenment campaign against women trafficking and child labour migration in Nigeria and the world at large.

d. It has been able to create awareness to Nigerians and the international community on the effects of women trafficking and child labour migration.

e. Through their activities, WOTCLEF has also provided an enlightenment forum where policy makers can discover, harness and exchange ideas on the issues of women trafficking and child labour.

FACTORS MILITATING AGAINST THE FIGHT ON HUMAN TRAFFICKING

6. Factors militating against the fight on human trafficking in the African region include poverty, unemployment, devalued currency, lack of parental care/control, falling standard of education, falling moral values and easy profits. Gender discrimination, armed conflict and harmful traditional practices are other factors.

LEGAL FRAMEWORK OF WOTCLEF

7. Section 11 of the Trafficking in Persons (Prohibition) Law Enforcement and Administration Act 2003 states that any person who; Export from Nigeria to

any place outside Nigeria, any person under the age of 18 years with intent that such person, or knowing it to be likely that such person will be forced into prostitution in that place; or import into Nigeria from any place outside Nigerian, any person under the age of 18 with intent may be, knowing it to be likely that such person will be forced into prostitution anywhere in Nigeria an offence liable on conviction to imprisonment or life. Signing into law of the Anti-Human trafficking bill and child Right Act emboldened WOTCLEF in no small measure with war against Human Trafficking and Child Labour.

CONCLUSION

8. To abuse the rights of children is to jeopardize the destiny of the nation as children are the future generation and leaders of tomorrow. The illicit actuates of the child traffickers has created serious image problems in Nigeria further damage could be done if Nigerians continued to maintain a culture of stoic silence instead of embarking on affirmative action to stem the tide. Nigeria is generally regarded as a crucial country for the human trafficking trade, that is, as a receiving country, as a country of origin, and as a transit route for traffickers.

9. For the battle to be won, all hands must be on deck. Religious bodies as well as parents have a major role to play. Parents ought to be able to educate their children on the need to have self worth. The training can be a lot easier if fathers and mothers join hands together in the upbringing of their children with the fear of God. Government and its agencies such as the Police and the Nigerian Immigration Services should not relent in their efforts to curb this monster. Non-Governmental organization such as WOTCLEF whose activities are laudable should be given maximum media coverage and support.

10. Conversely, the Federal Government should formulate policies aimed at

relaxing the economic hardship of the people. Scholarship awards to deserving children of indigent parents should be encouraged. The society should search itself so that moral and exemplary standards should be set for future generations. Such vices such as “get rich quick syndrome” should be shunned. With these and the activities of organizations such as WOTCLEF, many women and children who are forced into labour and deprived of human rights would be given new lease of life.

SELF ASSESSMENT QUESTIONS (SAQ)

11. Treat the following:
 - a. What is the meaning of the acronym WOTCLEF and when was it formed.
 - b. List the functions of WOTCLEF.
 - c. List four achievements of WOTCLEF
 - d. Name the factors militating against human trafficking in Nigeria.
 - e. How can the war against human trafficking be won?

REFERENCES

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PART THREE

**MONETIZATION OF FRINGE BENEFITS
IN PUBLIC SERVICE**

INTRODUCTION

1. We have lived in a world of globalization where management of resources is maintained and waste of human and material resources is discarded. Democratic nations have also been reiterating to the governed the need for good governance and friendly policies. The worth for any public policy to the development of a nation is judged by the above criteria. Over the years, the cost of governance in Nigeria has continued to escalate arising mostly from the burden of providing basic amenities to public servants by the government. These amenities include Residential accommodation, transport facilities, medical services, electricity, water, telephone and a host of others.

2. According to the Secretary to the Government of the Federation (SGF) Chief Ufot Ekaette, the Federal Government spends more than 60% of its annual revenue on recurrent expenditure for its public servants¹. This accounts for less than 5% of the nation's population. To minimize this escalating cost on governance by the government, the Committee on Monetization of Fringe benefits in the Public Service of the Federation was set up by the President, Chief Olusegun Obasanjo on 11 November 2002 under the Chairmanship of the Secretary to the Government of the Federation, Chief UJ Ekaette².

3. Monetization as a public policy reform, is embedded within the ambit of reforms such as Tax Reforms, Local government reforms, Privatization of major public enterprises etc. Under National Economic Empowerment and Development Strategy (NEEDS), the cardinal aim of monetization as part of the overall policy of NEEDS, when fully implemented will play a

complimentary and vital role in the new economic reform strategy of the present democratic government.

OBJECTIVES

4. After the study of this module, candidates will be able to:
 - a. Explain what monetization programme is all about.
 - b. Explain the background of the introduction of monetization programme.
 - c. Give reasons for the justification of the programme.
 - d. List and explain the components of monetization policy.
 - e. Discuss the financial implications of the programme.
 - f. Discuss the strategy for the implementation of the programme.
 - g. Explain the place of a revolving fund in the monetization programme.
 - h. Discuss monitoring of monetization policy.
 - i. List the impact of monetization policy.

HISTORICAL BACKGROUND

5. Right from the colonial period, fringe benefits and allowances have always been an integral aspect of the remuneration of public servant in the Nigerian Public Service. These fringe benefits and allowances have been subjected to review from time to time depending on exigencies of time³. Following the Harragin report of the revision of salaries in 1946 for example, some allowances and benefits that were of general application in civil service were reviewed. These allowances include:

- a. Entertainment Allowance.
- b. Outfit Allowance.

- c. Over time Allowance.
- d. Travelling Allowance.
- e. Transport Allowance.
- f. Bush Allowance.

6. The Udoji salaries and wages commission of 1974 comprehensively reviewed fringe benefits as they affected annual leave, housing allowance, use of official cars, entertainment allowance and so on⁵. The commission in its recommendations, advocated among other things; firm linkage of the salaries and benefits with strong public service reforms. Most of these fringe benefits were applicable to the workers throughout their entire period in public service. Regrettably, only salaries and fringe benefits were implemented then. From General Abdulsalami Abubakar's regime to Obasanjo administration, fringe benefits and allowances of workers have been reviewed thrice⁶.

JUSTIFICATION OF THE PROGRAMME

7. The following are some justification of the monetization policy:
- a. Reduces drastically the burden of providing basic amenities like residential accommodation, electricity, medical services etc to public servants by the government.
 - b. Efficiency in resources allocation.
 - c. Equity in the provision of social amenities and encouragement of public servants to own personal houses.
 - d. It also enables public servants to plan for a more comfortable post-service life.
 - f. In more specific terms, monetization of facilities such as housing, furniture and vehicle will reduce capital, maintenance and running cost.
 - g. It is also hoped that rent will come down, as public servants who make up to over 80% of the tenants especially in Abuja, will aspire to

own their own houses.

h. It will also promote the observance of maintenance culture and discipline in the use of public facilities, since individuals, will now have to pay for such services, which hitherto were paid for by the government.

i. In addition, monetization of medical treatment will go a long way in curbing submission of spurious bills and delays in processing refunds of medical bills.

j. It is believed that savings made from monetization will enable government to prosecute more capital project.

COMPONENTS OF THE PROGRAMME

8. After a critical examination of the principles and justification for the Monetization programme, the items recommended as its main components include ⁷:

- a. Residential accommodation.
- b. Furniture allowance.
- c. Utility allowance.
- d. Domestic servant allowance.
- e. Motor vehicle loan.
- f. Fuelling/Maintenance.
- g. Transport allowance.
- h. Medical allowance.
- i. Leave grant.
- j. Meal subsidy.
- k. Entertainment allowance.

RESIDENTIAL ACCOMMODATION

9. Provision of residential accommodation would be monetized at 100% of

annual basic salary as residential accommodation allowance, will be paid en-bloc to enable public servants pay for accommodation of their choice. In order to avoid exerting undue strain on present occupants of federal Government quarters and funds, the monetization of residential accommodation would be effective in the first year of the Monetization exercise. Current of government-owned quarters would pay 100% of their accommodation allowance as rent for the quarters they occupy.

10. Also government residential quarters across the country would be sold off by public auction at the first year of commencement of the Monetization programme with their present occupier being given the first option to purchase the house at the price of the highest bidder. In addition, government would provide site and service scheme in towns nationwide to enable civil servants own their houses.

11. The payment of 300% of annual basic salary is recommended as furniture allowance in line with the provision of the “certain political, public and judicial Office Holders (salaries and allowances etc) Act, 2002”. However, considering the likely problem to be faced in paying huge furniture allowance of 300% of annual basic salary en-bloc, this allowance would be paid annually at the rate of 75%, amounting to 300% in four years.

UTILITY ALLOWANCE

12. This allowance has already been monetized in the extant circulars for public servants as well as the Act for the political office holders.

DOMESTIC SERVANT ALLOWANCE

13. This allowance has already been monetized for public servants. The provision is for domestic servants allowances.

MOTOR VEHICLE LOAN AND TRANSPORT

14. The provision of motor vehicles to public officers is to be monetized by the provision of motor vehicle loan of 350% of the annual basic salary in line with the provision of “certain political, public and judicial office holders (salaries and allowances, etc) Act 2002”. The loan however, would be recovered in six years for both public servants and political office holders. In granting the loan, government would retain the existing rate of 4% on motor service, government would ensure that:

- a. All Ministries, Extra Ministerial Departments and federal Government Agencies would no longer purchase new vehicles.
- b. Officers currently entitled to government vehicles would return them to the Presidency for disposal or pooling in the Central vehicle Unit (CVU) as may be appropriate.
- c. Each Ministry/Agency would be allowed a specific number of vehicles approved by government as utility vehicles including buses for essential office services (out of station duty tour and meetings). No Ministry/Agency will exceed the number without prior approval by the President.
- d. A committee is to be set up to handle the issue of disposal of vehicles. In disposing the excess vehicles, an entitled officer would be allowed to purchase one car for personal use at approved discount value.
- e. Where there is the need to purchase (a) new vehicle(s) by any Ministry, Extra-Ministerial Department or Agency, a request shall be made to the President of the federation for approval.

The monetized driver allowance will be the same with the current provision for domestic servant i.e. total emolument of an officer on grade level 3 step 8.

- f. Service-Wide Staff Buses will be pooled under the management of the Office of the Head of the Civil Service of the Federation. Staff who

utilize the facility will be made to pay at a rate equivalent to their transport allowance and fund so generated would be used for the maintenance and fuelling of vehicles. This facilities will be progressively withdrawn when the transport service improves.

g. In addition to paragraph (g) above, government and the private sector will assist in the provision of urban mass transit at commercialized rates.

15. On the fate of excess drivers in the system as a result of the new policy, the following steps are recommended:

a. Drivers with relevant and adequate qualifications would be retained and redeployed appropriately.

b. Depending on the need, others will be deployed to drive staff buses under the office of the head of the Civil Service of the federation.

c. Those that would not be deployed will be rationalized but to be assisted by the National Poverty Eradication Programme (NAPEP) under Keke NAPEP programme.

FUELLING/MAINTENANCE AND TRANSPORT ALLOWANCE

16. The provision in the Public service Rules, Chapter 9, Section 09203 has been prone to abuse and sharp practices, particularly with the submission of bills as claims to government. The government is therefore, proposing the payment of 10% of an officer basic salary as transport allowance. However, special cases requiring government intervention would be considered on merit.

LEAVE GRANT

17. The grant had already been monetized through the provision in the public Service Rules, Chapter 13 Section 13213 at 10% of annual basic salary.

MEAL SUBSIDY

18. The allowance has already been monetized through the provision in the circulars Nos SWC.04/VolIV/991, dated May 5 2000 and SWC.04/S.1/Vol IV/136 dated May 15, 2000 issued by the National Salaries, Income and wages Commission as follows:

- | | | | |
|----|---------------------|---|-------------------|
| a. | GL 01 - 06 | - | N6,000 per annum |
| b. | GL 07- 10 | - | N8,400 per annum |
| c. | GL 12 - 14 | - | N9,600 per annum |
| d. | GL 15 - 17 | - | N10,800 per annum |
| e. | Permanent Secretary | - | N16,200 per annum |
| f. | Head of Service | - | N16,200 per annum |

ENTERTAINMENT ALLOWANCE

19. The entertainment allowance for civil servants has already been monetized through the provision in the circulars Nos SWC.04/Vol IV/991, dated May 5, 2000 and SWC.04/S.I/Vol IV/136, dated May 15, 2000 issued by the National Salaries Income and Wages Commission and the Act stipulates 10% of annual basic salary for political office holders as follows:

- | | | | |
|----|-------------------------|---|-----------------------|
| a. | GL 15 | - | N8,400 per annum |
| b. | GL 16 - 17 | - | N9,600 per annum |
| c. | Permanent Secretary | - | N27,000 per annum |
| d. | Head of Service | - | N27,000 per annum |
| e. | Political Office Holder | - | N10% off annual basic |

COST IMPLICATIONS OF MONETIZATION

20. In establishing the total cost implication of Monetization Programme, data was gathered from the office of Establishment and Pension, of the Head of Civil Service of the Federation, the Judiciary, the Legislature, the Police, the

Military, Para-Military and other paratats⁸. The number of officers and staff in the Federal Public service is 996,744, while the total number of public office holders is 1,448. The National Assembly, on the other hand, has a combined total of 469 and the Judicial officers, 1,153. The financial implication is being worked out for presentation to the federal Government. The cost of Monetizing allowance being recommended is to be arrived at using step eight of each grade level in line with existing practice. It is expected that during the first year, the cost of Monetizing of these allowances will be quite substantial but by the third and fourth years, the savings made would have positively impacted glaringly on the economy.

ESTABLISHMENT OF A REVOLVING FUND

21. For ease of annual budgetary provision and to reduce the financial burden of the monetization exercise on government, a self-sustaining fund is to be set up as Revolving Loan Fund. The initial funding of the revolving loan is to be sourced through the supplementary budget for transport and furniture loans.

a. **Transport Loan.** 50% will be released in the first year respectively out of the aggregate sum, which would be worked out as 350% of annual basic salary. Once fully injected into the system, the revolving fund would not need to be replenished after the third year. Further funding would thereafter rely on repayment of the loan by the beneficiaries. Interested individuals are to source their motor vehicle loan from the fund.

b. **Furniture Allowance.** In view of the huge financial cost in paying furniture allowance of 300% of annual basic salary in the four year circle en-bloc and its budgetary implication, the payment of 75% annual basic salary every year, which also amounts to 300% in four years is recommended.

22. By spreading the total cost of provision of transport revolving loan over the first three years instead of providing the total sum of 350% en-bloc of staff annual basic salary during the commencement year only and paying 75% annually of the furniture allowance rather than 300% every first year of a four-year cycle, much of the pressure on the budget for the huge sum that would have been required for funding the exercise for the first year would be substantially reduced.

23. In addition, government would from the first year of implementation, make some saving under a number of recurrent and capital sub-heads on the service and facilities being monetized in the annual budget which will no longer feature independently in the budget. This is in addition to the fact that there are a number of Federal Parastatals e.g. Nigerian national Petroleum Corporation, National Maritime Authority, Nigerian Ports Authority, Central bank of Nigeria, etc which are self-financing and which will not draw from government annual budget. The Economic rent to be realized on government properties during the first year and the revenue accruable from the outright sale of the houses during the second year of implementation will equally ease the funding of the Monetization Programme.

INTRODUCTION OF CONTRIBUTORY PENSION SCHEME

24. Government is giving serious consideration to the reform of the civil service, which will further impact on the Monetization Programme. As part of the effort to reduce cost, government intends to introduce a contributory pension scheme. The implementation exercise on this has reached an advanced stage.

VEHICLE PURCHASE/DISPOSAL/PHYSICAL TRANSFER OF FUNDS

25. For ease of annual budgetary provision and to reduce the financial burden

of the Monetization exercise on government, there will be no physical transfer of fund for purchase of vehicles as officers entitled to motor vehicles already have these vehicles in their possession. Honourable Ministers, Special Advisers, Senior Special Assistants Permanent Secretaries will be allowed to purchase a maximum of two of such vehicles attached to them, while one vehicle purchased by a Director, provided that the Treasury is paid the difference between the total value(s) and minimum loan of 350% of their annual salary, if the former is higher. The valuation team from the Federal Ministry of works has already worked out the values of the vehicles and each ministry is being advised accordingly. Political Office Holders and Public Servants purchasing the vehicles will complete the vehicle loan agreement and purchase agreement, which will precede the transfer of ownership of the vehicle(s) to them. The public auction for the excess vehicles returned into the pool for disposal, will undergo the same process of valuation before they are auctioned.

**MONETIZATION POLICY WITH SPECIAL REFERENCE
TO GOVERNMENT RESIDENTIAL QUARTERS
AND OFFICIAL VEHICLES**

26. The process of implementing the Monetization Policy in respect of officials in government quarters and those hitherto entitled to official vehicles are as follows:

- a. Transfer of the management of Government Quarters in Abuja to facility managers to relieve government of the burden of management of the residential quarters.
- b. Payment of 10% of annual basic salary by all occupants of government quarters as service charge into a dedicated account designated by the Federal Government and Facility Management Committee comprising representatives of the Federal Government, the tenants and the facility manager would oversee the utilization of the fund.

- c. Grouping of government quarters in Abuja into 19 districts for easy management and appointment of 26 facility managers will be paid 10% of the actual cost of maintaining the facility as his fee.
- d. As a prelude to the eventual disposal of government residential quarters at the end of one year transition period, a team comprising the Federal Housing Authority, The Federal Ministry of Housing and Urban Development and the Ministry of the federal Capital Territory represented by FCDA had been constituted to undertake the valuation of all Government quarters.
- e. Evaluation of all government vehicles and indication by the Ministries of vehicles which entitled officers are interested in purchasing, those to be kept as utility vehicles as well as those to be withdrawn for eventual disposal.

MONITORING OF THE MONETIZATION POLICY

27. The issue of monitoring is crucial to the success of any government policy. Fears have been expressed in some quarters on the enforcement capacity to ensure compliance with the tenets of the Government Monetization Policy. Government is aware of our typical attitude to policy implementation and enforcement but with a leadership that is determined to lead by example, the follower-ship will be left with no option than brace up to challenges. The first huddle has been crossed with the implementation of the policy starting with the top echelon of the Executive Arm of Government and the National Assembly.

28. The next step will be the removal of any impediment to the implementation of the policy. For example, the number of vehicles for government functionaries has been pegged. The excess will be disposed of. Similarly, the provision of subheads of expenditure on such items as purchase

of vehicles and their maintenance, except for utility vehicles, rent purchase of official residential accommodation and their maintenance will be the annual budget of each Ministry. It is a fact that no policy is 100% perfect. Consequently, government will continuously monitor and review the policy to address observed lapses.

IMPACT OF THE MONETIZATION POLICY

29. Monetization as a policy will have far reaching impact on government planning, budgeting and fiscal discipline will positively impact on the National value system and ethics. The ramification of the impact of monetization as a public policy reform can be listed as follows:

- a. Monetization policy will enable government to get the true picture of what it costs maintain Political Office Holder or public servants in office and therefore lead to a more realistic budgeting and budget implementation.
- b. It is the most transparent avenue for the disbursement of remuneration and fringe benefits from employers to employees.
- c. Monetization will cut the excess public officers. For example, unlike in the past, ministers are now to drive to office and back in their personal cars with their personal drivers.
- d. The policy will correct the wrong public perception of government utilities such as telephone, electricity, water and so on which hitherto were used without caution.
- e. The policy will stop the practice where in renovating official quarters and changing furniture items, the discarded items were in many cases not accounted for, giving room for abuse.
- f. Unauthorised journey at government expense will be minimized.
- g. The policy will ensure equity in the allocation of scarce resources.
- h. Public officers will develop and imbibe disciplined culture of

frugal use of public utilities.

i. The policy will encourage public officers to own their vehicles, houses and furniture and thereby assist them to plan better for their retirement.

j. Overall, the Monetization policy will eliminate the trauma of transition from public to private life, which sadly, has resulted in many dying shortly after retirement.

CONCLUSION

30. A Detailed analysis of the major components, justification and the financial implications of monetary policy on the government and the Nigerian Public Servants have been analyzed. Also highlighted are socio-economic implications of the policy. Without gainsay, it will avail NA personnel the opportunity of being more educated about the monetization policy of the present democratic government of President Olusegun Obasanjo.

SELF ASSESSMENT QUESTIONS

31. a. What is monetization policy?
- b. Briefly explain the background to the introduction of monetization policy.
- c. Give 9 reasons for the justification of monetization policy.
- d. List and explain any five (5) components of the monetization policy.
- e. Discuss briefly the financial implication strategy for the implementation of the programme.
- f. Describe the Federal Government strategy for the implementation of the programme.
- g. Explain briefly the place of revolving fund in the monetization

programme.

h. Discuss briefly monitoring of monetization policy by the Federal Government.

i. List Ten (10) impact of the monetization as public reform in Nigeria.

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PART FOUR

ECONOMICS AND FINANCIAL CRIMES COMMISSION

INTRODUCTION

1. The Economic and Financial Crime Commission (EFCC) was established by the Economic and Financial Crime Commission Establishment, EFCC Act of 2002 as a body corporate to enforce and administer the provision of the Act. It is a designate Financial Intelligence Unit (FIU) in Nigeria with the powers, to coordinate the various institutions involved in the fight against money laundering and enforcement of all laws dealing with economic and financial crimes in Nigeria.

2. The choice of this topic is a demonstration of our collective commitment to the well being of the country. As junior/middle level leaders, your judgment will not be informed without an appraisal of the economic indicators some of which would usually raise security concerns. More so, the successful defence of the territorial integrity of a country is closely associated with the domestic situation. A nation riddled with economic and financial crimes with their attendant economic and social consequences cannot be well positioned to defend its integrity.

3. Therefore, the commission's broad statutory duties and responsibilities cover dealing with economic and financial crimes, as well as combating terrorism and terrorist tendencies. Financial crimes can be subsumed under economic crimes even though it has some distinctive features as we shall notice as we read this module. Before doing so, it would be necessary to examine albeit, briefly the background of the Nigerian economy. This would enable us at the end of the paper to see whether the state of the affairs of a nation has any bearing or correlation with the type of crimes being examined.

TRAINING OBJECTIVES

4. After studying this module, the learner will be able to:
 - a. Discuss the background on Nigerian Economy.
 - b. List functions of EFCC.
 - c. Define EFCC.
 - d. Discuss the implications of Financial and Economic in Nigeria.
 - e. List achievements of the EFCC.

BACKGROUND ON NIGERIAN ECONOMY

5. It is a contrast or irony in Nigeria today, in spite of her oil and gas resources, she is still a poor country with 80 - 90 million Nigerians of estimated 130 million people living in abject poverty. Nigeria's GDP stood at about \$45 billion in 2001 and a per capital income of \$300 billion. She has earned over \$300 billion from oil exports since the mid 70s but her current per capital income is about 20% less than the 1975 level.

6. A lot of critical public infrastructure is in decay. Unemployment and inflation rates are in the double digits. Corruption continues to pose a major challenge to good governance. The fight against other crimes has not faired any better. Perhaps that justified the recent assertion by Jeffrey Robinson in his book titled "The Sink" that "there is no country on the planet earth to compare corruption and criminality as in Nigeria". This was based on the fact that corruption and criminality of a few has robbed on the other Nigerians.

7. However, it is important to acknowledge the bold step taken by the administration of Chief Olusegun Obasanjo to change the tide. For the first time in the history of this great country, government has stood firm to confront corruption. Mr President has in many public fora made it clear that he would fight corruption head on, to a standstill. The establishment of the Independent

Corrupt Practices (And other Related offences) Commission (ICPC) and the Economic and Financial Crimes Commission (EFCC) was in furtherance of that objective.

FUNCTIONS OF EFCC

8. The mandate of the commission with respect of its functions of combating economic and financial crimes includes the following:

- a. Investigating all financial crimes.
- b. Coordinating and enforcing all economic and financial crime laws.
- c. Identifying, tracing, freezing, confiscating or seizing proceeds derived from terrorist activities, economic, or financial crimes.
- d. Taking deliberate measures to prevent the commission of economic and financial crimes.
- e. Coordinating preventive and regulatory measures, including introducing and maintaining investigative and control techniques on the prevention of economic and financial crimes.
- f. Facilitating rapid exchange of scientific and technical information and conducting joint operations with collaborators aimed at eradicating economic and financial crimes.
- g. Collaborating with government bodies within and outside Nigeria in carrying on functions analogous with those of the commission.
- h. Supervising, controlling and coordinating all the responsibilities, functions and activities relating to on-going investigations and prosecution of all offences connected with or relating to economic and financial crimes in consultation with the Attorney General of the Federation.

9. In addition to those basic functions enumerated above, the commission has been bestowed with special powers that enable it enforce specific laws

relating to economic and financial crimes, which include the following:

- a. Investigating persons and/or properties of persons suspected of breaking the provisions of the EFCC Act, 2002.
- b. Enforcement of the following specific laws:
 - (1) The money laundering Act 1975;
 - (2) The Advanced fee fraud and other fraud Related offences Act 1995;
 - (3) The Failed Banks (Recovery of Debts) and financial Malpractices in Bank Act, 1994 as amended;
 - (4) The Bank and other Financial Institutions Act, 1991 as amended;
 - (5) The Miscellaneous Offences Act, and
 - (6) Any other law or regulation relating to economic and financial crimes in Nigeria.

Inspite of these enabling laws and the relevant institutions to administer them, fraudulent activities still continued unabated in the economy. President Olusegun Obasanjo responded positively to the yearning of Nigerians and the international community by taking the following proactive and responsive approach. They are; Establishment of the Anti corruption commission, creation of the Due process office in the Presidency, corrupts practices and related offence Act of 2000 and Establishment of the EFCC in 2002.

DEFINITION OF ECONOMIC AND FINANCIAL CRIMES

10. Section 46 of the EFCC Act 2004 defines “Economic and Financial Crimes to mean the non-violent criminal and illicit activity carried out with the objective of earning wealth illegally either individually or in a group or in organized manner, thereby violating existing regulation governing economic activities of Government and its administration and includes any form of fraud,

narcotic drug trafficking, money laundering, embezzlement, bribery, looting and any form of corruption, malpractices, illegal arms deal, smuggling, human trafficking and child labour, illegal oil bunkering and illegal mining, tax evasion, foreign exchange malpractice including counterfeiting currency, theft of intellectual property and piracy, open market abuse, dumping of toxic wastes and prohibited goods etc.

THE IMPLICATION OF ECONOMIC AND FINANCIAL CRIMES

11. The implication of economic and financial crimes on the nation's economy invariably involves a discussion of the above offences as spelt out in section n 46 of EFCC Act 2004 (See definition on Economic and Financial Crimes above). We will treat briefly the following:

- a. The oil and Gas sector.
- b. The manufacturing fraud.

12. **The Oil and Gas Sector.** This sector is the biggest target for economic crime perpetrators. Billions of petrol dollars is being lost by the nation every day due to the activities of illegal oil bunkerers, pipeline vandalization and saboteurs.

13. **The Manufacturing Sector.** Economic and Financial Crimes such as money laundering and trade malpractices are the twin enemies of the manufacturing sector. In countries transiting to industrialization like Nigeria, the criminal influence on the financial system could undermine the transition to industrial and technological revolution and subsequently keep the country under perpetual import slavery. Let us under study money laundering and trade malpractice as the basic economic and financial crimes.

- a. **Money Laundering.** Money laundering is a process by which criminal's attempts to hide and disguise the true origin and ownership of

the proceeds of their criminal activities thereby avoiding prosecution, conviction and confiscation for criminal funds. As a derivative, it flows from the following crimes among others, “illegal arms sales, smuggling, activities of organized crime, including for example drug trafficking and prostitution rings, embezzlement, insider trading, bribery and corruption, fraud schemes.” Funds acquired from this goals that cannot be pushed through banks and other financial institutions by eluding financial regulators and law enforcement agencies around the world are laundered through trade malpractices such as massive importation of all kinds of goods like, spare parts, pharmaceutical products, chemicals, automobile etc, since the motive of importing the goods is not profit making but to legitimize the criminal proceeds. Invariably, the imported items are quickly sold at give away prices in Nigeria. The effect of money laundering through imports is to undermine the genuine efforts of local manufacturers who share, compete and operate in same business environment with the launderers. The imported goods which most of the times are produced at cheap cost and higher quality abroad unfairly compete with local goods, produced at perhaps high cost and lower quality in Nigeria. Therefore, prices crash and massive losses resulting from large stock of unsold products occur, due to lack of patronage and eventual collapse of industries.

b. **Trade Malpractices.** Trade malpractices constitute a dent on Nigeria’s image. They diminish the respect and the regard Nigeria commands internationally and contribute to the loss of confidence in the nation by foreign investors and international development partners. The nature of trade malpractices in Nigeria has multivariate dimensions. However, the following trade malpractices are prevalent;

- (1) Direct copying of local brands by manufacturers.
- (2). Importation of fake/counterfeit and substandard products.

- (3). Diversion of “trans-shipped” goods.
- (4) False declaration of goods.
- (5) Recycling of CRI and custody Duty Receipts.
- (6) Smuggling.

The overall consequences of the above trade malpractices have damaging effect on the industrial sector. Apart from excessive revenue losses to the nation, they contribute to low capacity utilization, unemployment, pressure on the naira and general mass poverty.

14. **Advanced Fee Fraud.** This indulgence by few Nigerians in advanced fee fraud (419) has destroyed the reputation and credibility of the country. This has made it difficult for majority of innocent Nigerians to transact business both locally and internationally. Nigeria and several reputable Nigerians suffer a number of damages including being treated as cheats and the erosion of trust in our domestic and international spheres. Apart from the humiliation suffered abroad, retaliatory measures are being taken against us by victims and their countries.

15. **The Financial Sector.** Financial institution can be involved in financial crimes in three ways: as victims, as perpetrator, as an instrument. Under the first category, financial institutions can be subject to the different types of fraud including, for example, uni-representation of financial information, embezzlement, check and credit card fraud, securities fraud, insurance fraud and pension fraud. Under the second (less common) category, financial institutions can commit different types of fraud on others, including, for example, the sale of fraudulent financial products, self-dealings and misappropriation of client funds. In the third category are instances where financial institutions are used to keep or transfer funds, either wittingly or unwittingly, that are themselves the profits or proceeds of a crime, regardless of whether the crime is itself financial in nature. One of the most important

examples of this third category is money laundering. Financial frauds have led to the collapse of many banks in the country. Frauds have equally led to the loss of confidence in our banks not only local but also the international business community.

COMBATING FINANCIAL AND ECONOMIC CRIMES IN NIGERIA

16. Past and present government's efforts to curb these crimes need to be noted and appreciated. The promulgation of the under listed laws were aimed at providing a legal frame work to combat these crimes. The steps taken so far include;

- a. The National Drug Law Enforcement Agency A (NDLEA).
- b. Money Laundering Act of 1995.
- c. Advanced Fee Fraud, otherwise known as 419 and

ACHIEVEMENTS

17. The EFCC has achieved the following:

- a. The commission between May 2003 and June 2004 recovered money and assets derived from crimes worth over \$700 millions. It also recovered another \$3 million from the British Government.
- b. It arrested virtually all the notorious Advanced Fee Fraud kingpins. It has over 500 suspects in custody and most of them are standing trial in the various high courts in the country.
- c. It is presently prosecuting over 100 cases in court and investigating over 300 cases.
- d. It is presently prosecuting one of the biggest world frauds cases involving about \$242 million arising from a bank fraud in Brazil.
- e. It has increased the revenue profile of the nation by about 20% due to its activities in the Federal Inland Revenue Service and the seaports.

- f. Recovered revenue of over N20 billion for the government.
- g. Played a key role in the Government reform programme, for example, restructuring of the Nigerian Custom Service.
- h. Recovered billions of naira in respect of failed Government Contracts.
- i. It has curbed illegal oil bunkering in the Niger-Delta Region. The initial daily illegal bunkering of about 300,000 - 500,000 barrels has now substantially reduced to anything less than 30 thousand barrels. It is presently prosecuting over 80 persons involved in vandalization of oil pipelines.
- j. It has curbed smuggling activities in the seaports and land borders.
- k. Its activities have sensitized the banking sector. Bank staff including a managing director is standing trial for fraud, etc.
- l. Wage campaign against economic and financial crimes which has brought relative stability in the financial industry.

CONCLUSION

18. It must be emphasized that a nation does not change its ideals to suite those who refuse to conform. On the contrary, it is those who refused to conform who must change their ways in order to meet the ideals of the nation. Overall, the present Government of Chief Olusegun Obasanjo has demonstrated strong political will to fight corruption and other economic and financial crimes in Nigeria with a view to creating enabling environment for investment. An enabling environment flows naturally from good governance. Good governance in turn is a product of honesty, integrity, observance of the Rule of Law, transparency and accountability. It is gratifying however that the present administration has taken concrete steps to address this problem.

SELF ASSESSMENT QUESTIONS

19. Answer the following questions:
- a. Enumerate the functions of EFCC.
 - b. Discuss briefly the implications of Financial and Economic crimes in Nigeria.
 - c. Enumerate efforts aimed at combating financial and economic crimes in Nigeria.
 - d. List 6 achievements of the EFCC since it came to be.

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PART FIVE

**NATIONAL ECONOMIC EMPOWERMENT AND
DEVELOPMENT STRATEGY (NEEDS)**

INTRODUCTION

1. It never ceases to puzzle the rest of the world why Nigeria, with all her enormous human and material endowments still ranks as one of the poorest Nations in the world. When one considers the foregoing scenario in the context of the huge financial resources made from the oil in the past three decades, one cannot help but agree that something urgent needed to be done if this generation and indeed the upcoming ones will ever be proud to associate themselves this clime. The visible disparity between our resources profile and the level of poverty in our land is simply embarrassing and unacceptable, and this has thrown up a number of developmental challenges that require the effort of all if progress must be made and hope kept alive for ourselves and future generations of Nigerians.

NIGERIA'S DEVELOPMENT CHALLENGES

2. Some of the key development challenges that the NEEDS aims to address. Much of the analysis below refers to the average of the post-independence period. Although significant improvements have been recorded in many areas since 1999, the development challenges are still daunting.

3. Nigeria has had lost decades of development due to negative-to-slow growth and has been one of the weakest growing economies in the world on a per capital basis especially for the period 1981-2000. The GDP grew by an average of 2.8 percent in the 1990s (leaving per capital growth rate at zero), but the average growth rate for the 1999-2003 period was about 3.6 percent (with a

per capital growth rate of 0.8 percent per annum which is far lower than the 4.2 percent per capital growth rate needed to significantly reduce poverty). Relative to its own history and in comparison with other countries in Africa and Asia, especially Indonesia which is comparable to Nigerian in most respects, its level of economic development stabilization and efficient public finance management in Nigeria. There is also the lack of policy coherence between the States and the Federal Government, and even among the various agencies of the Federal Government.

WHAT IS NEEDS

4. NEEDS is Nigeria's home grown poverty reduction strategy (PRSP). NEEDS is not just another plan on paper, it is a plan on ground founded on a clear vision, sound values, and enduring principles. It is a medium term strategy (2004 - 2007) but which derives from the country's long term goals of poverty reduction, employment generation, wealth creation and value reorientation. NEEDS is a nationally coordinated framework of action in close collaboration with the State Governments and other stake holders to consolidate on the achievement of the last four years under the presidency of Chief Olusegun Obasanjo and build a solid foundation for the attainment of Nigeria's long term vision of becoming the largest and strongest economy and a key player in the world economy.

5. Nigeria is an economic miracle that has already begun to unfold, and a solid foundation is already being laid especially since the new democratic transition in 1999. Needs is a development strategy to consolidate on the gains of the past four years, unlock Nigeria's dormant potentials, and provide the base for sustained development of the country. Needs signals a break with the past (the overview below summarizes the key element of the unsustainable past trends which Needs is designed to break).

6. Nigeria has the potential to become Africa's largest economy and a major player in the global economy by virtue of its rich human and material resources endowment. But much of its potentials have remained untapped, and if previous trend continues, Nigeria runs over the decades become more disappointing. With a GDP of about \$45 billion in 2001, and a per capital income of about \$300, Nigeria has become one of the poorest countries in the world. As at 2000, Nigeria had earned approximately \$300 billion from oil exports since the mid 1970s, but its per capital income was 20% less than the 1975 level, and the country has become so heavily indebted (external and domestic debt amounts to about 70 percent of GDP) that it has serious difficulty servicing existing debt. There is great spatial and sectoral unevenness in terms of the share of GDP and growth performance: across regions and geo-political zones of the country. The real sector is still dominated by the primary production section agriculture (41%) which is predominantly peasantry with low and declining productivity, and crude oil (13%) while the secondary sector especially manufacturing has been stagnating (about 5-7% of GDP) thereby making Nigeria one of the least industrialized countries in Africa. The services sector has been the fastest growing since independence.

7. At about 5.3% annual growth rate, urbanization rate is one of the fastest in the world and with a stagnant secondary sector, the urban unemployment is acute with the attendant high rate of crimes and socio-political tensions. As at March 1999, 23.2 percent of the rural labour force were unemployed while 12.4 percent of the urban dwellers were without job. In March 2003, rural unemployment rate had dropped to 12.3 percent and urban rate to 7.4 percent (giving a composite unemployment rate of 10.8 percent). These are large numbers given that the labour force is about 61 million in Nigeria.

FUNDAMENTAL PRINCIPLES

8. Under the “Fundamental Objective and Directive Principles of State Policy”. The 1999 Constitution of the Federal Republic of Nigeria mandates as follows:

- a. The security and welfare of the people shall be the primary purpose of government.
- b. The State shall within the context of the ideals and objectives for which provisions are made in this Constitution:
 - (1) Harness the resources of the nation, promote national prosperity and an efficient, dynamic and self reliant economy.
 - (2) Control of national economy in such a manner as to secure the maximum welfare, freedom and happiness of every citizen on the basis of social justice and equality of status and opportunity.
- c. The State shall direct its policy towards ensuring:
 - (1) The promotion of a planned and balanced economic development.
 - (2) That the material resources of the nation are harnessed and distributed as best as possible to serve the common good.
 - (3) That the economic system is not operated in such a manner as to permit the concentration of wealth or the means of production and exchange in the hands of few individuals or of a group.
 - (4) That suitable and adequate shelter, suitable and adequate food, reasonable national minimum living wage, old age care and pensions, and unemployment.

CORE VALUES

10. Needs is anchored on the imperative to restore the fundamental values of Nigeria which have weakened over the years. According to the vision 2010

Main Report,

“Nigeria is multi ethnic society, with a value system that derives from the diversity of its people, religion and culture. The elements of this value system include respect for elders, honesty and accountability, cooperation, industry, discipline, self confidence and moral courage”.

President Obasanjo captures the essence of the new value system as one that put Nigeria, selfless service to the country and love of fellow citizen above all else.

According to him,

“Always ask what is in it for Nigeria. I see a new Nigeria in hands of the Lord. Our mission is the creation of a new Nigeria where all the negative values in our society are reversed and in their place are established enabling values of a caring, well governed society where justice and equity reign”.

These are the fundamental values upon which NEEDS rests. More specifically, the strategy hopes to lay a solid foundation for a national self rediscovery and strong values based upon:

- a. Enterprise, competition and efficiency at all levels.
- b. Equity and care for the weak and vulnerable.
- c. Moral rectitude, respect for traditional values, and extolling of our culture.
- d. A value system for public service that makes efficient and effective service delivery to the citizens.
- e. Discipline at all levels of leadership.

11. Needs as a development strategy recognizes that these values cannot take root and be sustained unless conscious efforts are made to mobilize the people around them. With our paradigm shifts, fundamental changes in mind set and acceptance that it cannot be business as usual, especially by the elite, the change which NEEDS.

OBJECTIVES OF THE MACRO-ECONOMIC FRAME WORK

12. The broad goal of the macroeconomic frame work is to ensure internal consistency of the various aspects of the development strategy especially in terms of the financiability of the strategy in a manner that is sustainable and ensures macroeconomic stability. More specifically, the objectives of the macro frame work are:

CURRENT CHALLENGES OF THE MACROECONOMIC FRAME WORK

13. Some of the problems identified as inhibiting growth in the Nigerian economy include macroeconomic policy inconsistency, instability and policy reversals, conflicts of macroeconomic policy goals, public sector dominance in production and consumption, pervasive rent seeking and corruption facilitated by government being the hub of economic activities. Others are infrastructure inadequacy and decay, high volatility of major macroeconomic aggregates, weak institutional capacity for economic policy management and coordination, unsustainability of public finance at all levels of government, lack of effective coordination among the tiers of government, and large debt overhang, among others a number of these problems are institutional while others are results of disharmony between goals and means.

14. NEEDS aims to redress these imbalances. This however has to be based on an overall consistent macro frame work, the summary of which is provided in this chapter and in the tables in the appendix. The analyses and projections are based on the four basic macroeconomic accounts the real sector, the fiscal account, the balance of balance of payments accounts and the monetary sector accounts. Internal consistency of the four accounts is necessary to ensure a workable programme.

15. The overall goal of a consistent macroeconomic frame work is to ensure predictability and sustainability of the macro economy, and high but broadly shared, pro poor growth. Sick benefits and welfare of a disabled are provided for the citizens:

- a. Government shall direct its policy towards ensuring that there are equal and adequate educational opportunities at all levels.
- b. The national ethics shall be discipline, integrity, dignity of labour, social justice, religious tolerance, self reliance and patriotism.

16. In other words, the constitution clearly stipulates that public policy must be directed to balance the objectives of efficiency effectiveness, and equity in order to ensure a broad based poverty reducing growth and development strategy, the dividends of which will be distributed fairly among all classes. NEEDS is based upon these principles. It is the strategy aimed at achieving the directive principles of state policy. Its focus is wealth creation, employment generation, poverty reduction, corruption elimination and general value re-orientation.

17. Three other principles that underpin the NEEDS are:

- a. An incentive structure that rewards and celebrates private enterprise, entrepreneurial spirit and excellence.
- b. New forms of partnership among all stakeholders in the economy to promote prosperity... among all arms of government; Federal-State-and Local; public-private; civil society and the International community; and indeed all stakeholders.
- c. A public service that delivers prompt and quality service to the people. That other tiers of government has a role to play in the development process through a coordinated process. This is the first time both the state and Federal levels are coordinating a planning framework with agreed common priorities in Agriculture, SMES, Infrastructure,

Public finance/public sector reforms and further emphasis on the social sectors-health and education.

18. The contents of NEEDS is also different when compared with past efforts. First the strategy is reform based unlike the conventional plans. Its thrust is clear and focused ie poverty reduction, employment generation, wealth creation and value reorientation, and not just economic growth that trickles down through such concepts as GDP and per-capital income analysis.

19. Under the NEEDS projects are dealt with at the sector levels where benchmarks are developed and aligned to the resource base and projected resource mobilization. It avoids the past mistakes of setting unrealistic targets without adequate consideration of the resource constraints.

20. There is a conscious effort to develop a communication strategy that will ensure that the implementers are held accountable by the Nigerian people. The specific benchmarks and targets as well as the timeliness and responsible agencies/individuals have been developed and will be widely circulated and posted on the Nigerian economy websites for all Nigerians to hold the implementers accountable.

21. The implementation strategy is better articulated and commitment to effective implementation is unprecedented.

22. There is a broad based monitoring and evaluation framework involving the Federal Government, states, civil society and the organized private sector to ensured impartial assessment of efforts at all levels.

23. A peer review mechanism that is designed to motivate the zeal for implementation of the risk of not meeting the internationally agreed Millennium Development Goals (MDGs) by 2015.

WHY NEEDS?

24. The motivation for launching the National Economic Empowerment and development Strategy NEEDS was essentially to address the critical issues that have made the growth of the Nigerian economy most unsustainable; weak institutions and weak human resource capacity; government is characterized by low levels of transparency in its operations; arrears of uncompleted projects; support for loss making entities, little savings for the rainy days, weak tax effort, low levels of coordination of fiscal policy among the various tiers of government: high levels of corruption in government business, both external and domestic debt levels are unsustainable, infrastructure (especially electricity and roads and rail transport) is generally poor and service delivery is also generally poor).

25. The private sector generally faces a typically high cost of doing business thereby undermining production diversification and competitiveness. The decades of dependence on rents from oil have created a culture of perverse incentives and value system that expect something from nothing and a huge mismatch between effort and reward. Reversing this value system to one that places a huge premium on entrepreneurship and selfless service is a major challenge in charting the road ahead.

WHAT IS NEW OR DIFFERENT ABOUT NEEDS

26. The participatory process of developing the strategy distinguishes it from all previous efforts. This is to ensure ownership and sustainability.

27. The scope and coordination of the strategy reflect the federal structure of the Nigerian polity the document recognizes.

28. The coordinated sector wide strategies for key sectors which clearly spelt out the role and responsibilities of various tiers of government in the key sectors

as well as the private sector through the public private partnership initiatives.

VISION, VALUES AND PRINCIPLES OF NEEDS

29. **Vision.** The vision for Nigeria’s development derives from her history, endowments, experience and aspiration. Therefore, the vision upon which NEEDS is based underscores the necessity and urgency to build a modern Nigeria that maximizes the potentials of every citizen to become the largest and strongest African economy and a force to reckon with in the global economy before the mid 21st century. The vision is captured by the KURU declaration which states as follows:

“to build a truly great African democratic country, politically united, integrated and stable, economically prosperous, socially organized with equal opportunity for all, and responsibility from all, to become the catalyst of black renaissance and making adequate all embracing contribution, sub regionally, regionally and globally”.

30. **Mission.** The mission of President Obasanjo’s Government is to use the instrumentality of NEEDS as a nationally coordinated framework of action in close collaboration with the state government to consolidate the achievements of the last four years 1999 2003 and build a solid foundation for the attainment of Nigerian’s long term vision. Over the medium term, NEEDS will lay the foundation and achieve significant progress in the areas of wealth creation, employment generation and poverty reduction.

- a. Macro economic stability, predictability of the macro environment.
- b. Fiscal sustainability.
- c. Competitive but stable real exchange rate regime.
- d. External reserves target of at least 6 months import cover.
- e. Low (but positive) real interest rate regime to promote private sector.
- f. Health balance of payment position.
- g. Growth rate of at least 5% per annum.

THE PILLARS OF THE NEEDS STRATEGY

31. **Reforming Government and Institutions.** The goal is to restructure, right-size, re-professionalize and strengthen government and public institutions to deliver effective services to the people. It also aims at eliminating waste and inefficiency, and free up resources for investment in infrastructure and social services by Government. A key aspect of the institutional reforms is to fight corruption, ensure greater transparency, promote rule of law and stricter enforcement of contracts. An explicit Service Delivery Programme to re-orientate government agencies towards effective services to the people is being introduced in government for the first time. In a summary, the goal is to make government and public institutions serve the people; to make government play its developmental role rather than a haven for corruption and rent-seeking. Part of the reforms at this level is to ensure a predictable and sustainable macroeconomic framework, especially through a sustainable fiscal policy framework.

GROWING THE PRIVATE SECTOR

32. NEEDS is a development strategy anchored on the private sector as the engine... for wealth creation, employment generation and poverty reduction. The government is the enabler, the facilitator and regulator. The private sector is the executor, the direct investor and manager of business. The key elements of this strategy includes the renewed privatization deregulation and liberalization programme (to shrink the domain of the public sector and buy up the private sector); infrastructure development especially electricity and transport; explicit sectoral strategy for culture, industry/SMEs, services (especially tourism, art and culture, and information/communication technology), oil and gas and solid minerals. Other elements of this agenda include the mobilization of long term capital for investment; appropriate

regulatory framework; a coherent and consistent trade policy and regional/global integration regime; and specific interventions to encourage the development of some sectors. In collaboration with the states, a key strategy is to promote the emergence and flourishing of industrial clusters. In a global economy, characterized by increasing agglomeration of industries, promotion of clusters to ensure economies of scale is an important element of the strategy. The Small and Medium Enterprises (SMEs) are critical for employment generation, and therefore receive special attention under NEEDS. In addition, NEEDS seeks to promote the emergence of medium and large commercial farms, plantations and industrial conglomerates that would harness the economies of scale and effectively compete in today's global market.

IMPLEMENTATION OF A SOCIAL CHARTER

33. NEEDS is about people; it is about their welfare, their health, education, employment, poverty reduction, empowerment, security and participation. This is the ultimate goals of NEEDS. With about 50% of the population as children, education is seen under NEEDS as the most important bridge to the future and a powerful instrument of empowerment. The HIV/AIDS epidemic is not just a social problem, it is a major threat to productivity and the economy. Effective health care delivery system, especially aspects directed at combating the scourge of HIV/AIDS and other preventable disease (malaria and tuberculosis) is a key strategy for preserving healthy workforce. Explicit programmes are directed at youth re-orientation and employment. The existing pension scheme is to give the senior citizens a better retirement life. Under NEEDS, reforms are ongoing to promote the emergence of a vibrant mortgage and housing development system that is led by the private sector. The priority of agriculture (especially to improve the productivity of peasant farmers) is a key element of the poverty reduction strategy since over 50% of the poor are in agriculture. The continuing investment in water resources not only provides a key social

service... water to the people... It also provides irrigation for increased agricultural productivity. Industry, especially the SMEs, is expected to provide a boost to employment to the urban labour force. In collaboration with the states (under NEEDS) and local government, an integrated rural development programme is a major strategy to stem the rural-urban migration. Another key strategy of the social charter is **Inclusiveness and Empowerment**. This is not just on the economic front, but deliberate programmes to give voice to the weak and the vulnerable groups through increased participation in decision making and implementation, laws and programmes to empower women, children, the handicapped and the elderly. For example, NEEDS aims for a minimum of 30% representation for women in all aspects of national life wherever feasible.

VALUE RE-ORIENTATION

34. The key message of NEEDS is that “it is not business as usual”. The privatization programme is designed to shrink the domain of the state and hence the pie of distributable rents which have been the haven of public sector corruption and inefficiency. The act of privatization will release a few thousands of appointed board members of parastatals to go into productive engagements. Public sector reforms would also aim to emphasize professionalism, selfless service and efficiency (value for money). The anti-corruption measures, fight against the advance fee fraudsters, and strive towards greater transparency in public and private sector financial transactions will help to ensure accountability and send the message that those who make money through illegal and illegitimate means have no hiding place. Part of the reform agenda is to ensure that hard work is rewarded and that corruption and rent seeking are punished. The people will be empowered to hold public officials accountable through some Bill of Rights (especially the Right to Information Act). The people will be mobilized to re-emphasize the virtues of honesty, hard

work, selfless service, moral rectitude and patriotism. The National Orientation agency (NOA) and their state counterparts will be strengthened to capacity and lead the campaign. Government will also encourage the civil society organizations, Community based organizations, NGOs, private sector organizations, religious and socio-cultural-traditional organizations etc to provide leadership in the campaign for new value system. Agencies and organizations will be encouraged to take specific steps to reward excellence as the demonstration effect could help to motivate imitation of exemplary behavior by others.

IMPLEMENTATION OF THE NEEDS

35. Over the years, ineffective implementation of plans has been a major issue. NEEDS is poised to be different: it is a plan on the ground. Although, a number of the programmes of the current administration are consistent with the major policy thrust of NEEDS. The coordination of the implementation is headed by the President and there is a systematic process of monitoring and evaluation. At the federal level, commitment to the implementation of NEEDS is total. There will be periodic (quarterly) review of performance. Assessment of achievements, constraints and prospects. In addition, there is an Independent Monitoring Committee made up of men and women of sterling qualities most of whom are directly involved in the reform process.

KEY ISSUES IN IMPLEMENTATION OF NEEDS

36. The key issues in the implementations are:
- a. Aggressive Legislative Agenda (target 10 major legislations bordering on the economy before the end of 2004). Without legislative backing in many cases, the strategy will be difficult to implement.
 - b. Coordination among the three tiers of government and between the

executive and legislature.

c. Breaking the cynicism by consciously mobilizing the population behind the strategy.

d. Regular monitoring and evaluation of mechanism.

FINANCING PLAN FOR THE NEW GROWTH STRATEGY (NEEDS)

37. NEEDS targets minimum growth rates of 5, 6, 6, 7 % per annum over the period 2004 2007. Relative to recent history, the investment target of NEEDS is ambitious, yet it is the minimum needed to achieve some perceptible increase in income per capital and welfare improvement. After a reasonable projections from all existing sources of revenue for the government, it is estimated that a residual financing gap of at least \$4.5 billion per annum is required to significantly jump start the economy. This represents the additional resources needed to be mobilized.

38. The financing options are limited but efforts shall be made to increase efficiency of resource use. Specifically government is determined to curb wasteful expenditures by plugging all the loop holes in public expenditure and sources of revenue leakages, increase the efficiency of resource utilization, mobilize domestic savings and attracts foreign direct investment (FDI) as well as Overseas Development Assistance (ODA) resources. It will also seek debt relief from its creditors. Sources of financing include:

- a. Saving through elimination of waste.
- b. Institutional reforms.
- c. Sales of assets.
- d. Internal financing.
- e. Others.

SUMMARY AND CONCLUSION

39. The message from the foregoing analysis is that the Nigerian economy faces enormous challenges and a bleak future if fundamental steps are not taken to redress the mistakes of the past. Among the many requirements for rejuvenating the economy is rapid and broad based growth. It would require Nigeria doing things in fundamentally different ways than in the past to break away from the low growth poverty traps. This is because, in the last 25 years or more, the highest average growth performance of about 5% per annum was recorded in the late 1980s and this is just the growth rate required to prevent poverty from worsening (and not good enough to reduce it).. The average growth performance in the 1990s (2.8%) was just equal to the population growth rate leaving per capital growth rate at zero, while the average performance since the civilian transition in 1999 (1999 2003) was about 3.6% with per capital growth rate at about 0.8% per annum....Therefore, there is a clarion call for all to.....

PART SIX

**DEREGULATION OF THE DOWNSTREAM SECTOR
OF THE PETROLEUM INDUSTRY**

INTRODUCTION

1. The major policy thrust of deregulation of the downstream sector (refining and marketing of petroleum products) is to free that sector of the economy from the strangle hold of regulations. The policy emphasizes the abolition and removal of rules, regulations, control and restrictions in the running of petroleum business (refining, pricing, and distribution of petroleum products).

2. Deregulation of the downstream sector was part of the economic policy reforms of Gen Ibrahim Babangida's regime in an attempt to find solution to the acute and perennial shortage of petroleum products in Nigeria. This however could not solve the problem of smuggling and scarcity of the products. Since then subsequent governments have adopted some deregulatory measures aimed at boosting the supply and distribution of petroleum products.

3. This module seeks to explore the concept of deregulation as applied in the downstream sector with targets on structural policies, exchange rate, general policy, import licensing and price control. This is because for total and full implementation of deregulation policy, investors (local and international) see these factors as determinants for participation.

INSTRUCTIONAL OBJECTIVES

4. At the end of this module, candidates should be able to:
- a. Define and trace the history of deregulation of the

downstream sector in Nigeria.

- b. Outline the objectives of deregulation.
- c. Mention and discuss the requirements for deregulation policy.
- d. Mention importance of deregulation.

THE CONCEPT OF DEREGULATION OF THE DOWNSTREAM SECTOR

5. Deregulation of the downstream sector can be defined as the removal of government rules, regulations and control in refining and marketing of petroleum product so as to remove all obstacles and allow for private sector participation in refining, pricing and distribution of petroleum product.

HISTORY OF DEREGULATION OF THE DOWNSTREAM SECTOR

6. Deregulation as an economic theory is associated with Adam Smith's 'invisible hand' which marked the beginning of laissez faire. Thus according to him, "human conduct is motivated by love of self, the habit of labour, the need to be independent and above all the need to seek self-gain. This consideration (self interest) was deemed beneficial to competition (free market economy to be determined by the forces of demand and supply)".

7. Deregulation as a policy has been applied in one form or the other by different governments in Nigeria though not total as obtainable in Europe, Asia and the Pacific. Deregulation of the downstream sector in Nigeria can be traced to 1986 when Gen Ibrahim Babangida introduced structural adjustment programme (SAP) with the aim of addressing the unending problem of acute shortage of petroleum products. His stepping aside in 1993 notwithstanding, subsequent governments has adopted same to check the perennial scarcity of petroleum products.

**AIMS/OBJECTIVES OF DEREGULATION OF THE
DOWNSTREAM SECTOR**

8. The aim/objectives of deregulation of the downstream sector are as follows:

- a. To free the petroleum sector from the stronghold of government rules and control which encourage monopoly.
- b. To remove official restrictions on consumer choice.
- c. To reduce and eliminate government expenditure.
- d. To check the existence of interest rate earnings and barriers to entry.
- e. To allow for free market price as price control in periods of rising cost discourages investors.

REQUIREMENTS FOR A SUCCESSFUL DEREGULATORY PROCESS

9. The requirements for effective deregulatory process are as follows:

- a. **Structural Policies.** The government maintains a system of incentives to foster the location of industries especially in economically disadvantaged areas. This notwithstanding proposed regulatory rules if fully implemented is bound to reduce the number of competitors. Also tied to this is the frequent 419 cases associated with the country which is not good for investment but with adequate laws in place investors would be encouraged to come.
- b. **Foreign exchange rate and production incentives.** Policies guiding foreign exchange rate and production incentive policies are required because of expenditure switching effects on tradable and non-tradable goods.
- c. **Import Licensing.** The type of policy guiding import licensing equally affects total or partial application of deregulation. In view of this,

any obstacle on import licensing that will discourage investors need to be amended or jettisoned.

d. **Price Control.** Whereas price control in the form of fixing and monitoring the distribution of petroleum products or otherwise is anti-deregulation as against market forces, price control in favour of raw material which is a boost for investors.

e. **General Policy Framework.** Nigeria with an estimated population of about 125 million people is the most populous black country in the world. It is also the sixth world producer of crude oil. This factor and others are enough potential to offer investors low cost labour pool, abundant resources etc but its economy remains sluggish and its market potential unrealized. The country suffers from ill-maintained infrastructure, inconsistent regulatory environment and enjoys a well-deserved reputation for endemic crime and corruption, lack of effective due process etc. Investors in this regard are made to carefully research any business opportunity that appears tempting and dangerous.

IMPORTANCE OF DEREGULATION OF THE DOWNSTREAM SECTOR

10. The importance of deregulating the downstream sector are as follows.
 - a. To make petroleum prices far more competitive at local and international market.
 - b. To discourage and reduce smuggling of petroleum products.
 - c. Reducing man hour lost in queuing at filling stations.
 - d. Reducing government expenditure on policing the country's borders.
 - e. Increasing the number of competitors in the sector.
 - f. Money saved from oil subsidy could be used to diversify the economy.

CONCLUSION

11. The policy of deregulation of the downstream sector with the availability of fuel everywhere is a laudable venture. However the attendant effect of incessant increase in the prices of petroleum products leaves much to be desired. It is therefore necessary for the government to put in place systematic and reliable cushioning measures that the downtrodden would not suffer on the long run.

12. a. Define and trace the history of deregulation of the downstream sector in Nigeria.
- b. List 5 objectives of deregulation.
- c. Mention and discuss any 3 requirements for a successful deregulation process.
- d. List the importance of deregulating the downstream sector.

PART SEVEN

THE PENSION REFORM ACT 2004
ISSUES AND PROSPECTS

INTRODUCTION

1. Pension can be defined as a monthly remuneration paid to retired military personnel, civil servants and some personnel of private enterprises or organisations from date of retirement to death. Pension is a moral and legal obligation of all employers including the government. It is a regular form of old-age assistance payments by employers as income security paid to retirees till death¹.

2. Pension schemes vary depending on the modality of implementation by various employers. In the Nigerian Armed Forces for example, the Federal Government provides regular pension scheme for retired service personnel. In addition to this regular pension scheme, the Nigerian Army had on its own, established retirement plans for its personnel. Benefits that accrue from this plan are paid to retired or discharged service personnel or to their Next- of Kin (NOK) on the death of a soldier. The various pension plans available to NA personnel include; the Nigerian Army Welfare Insurance Scheme (NAWIS), THE Benevolent Fund and the Post Service Housing Scheme (if the personnel is a contributor).

3. In assessing the overall pension scheme from 1960 till date, it is obvious that the scheme was flawed with certain fundamental problems of which the most visible was the inability of government to pay the pensioners their retirement benefits as at when due. This now brings us to the title of this brief **“ISSUES ON PENSIONRE FORM ACT 2004.”** The purpose of this brief is threefold. Firstly, to educate service personnel on the rationale and objectives of

the Pension Reform Act 2004; secondly, to discuss the modality of its implementation and lastly, to recapitulate the National Pension commission's discuss on frequently asked question on the Contributory Pension Scheme.

AIM

4. The aim of this brief is to sensitise Nigerian Army personnel on the potential benefits of the Pension Reform Act 2004.

SCOPE

5. The following topics will be discussed:
- a. Problem of the Pre-Pension Reform Act: Public and Private Sector Schemes
 - b. Philosophy of the new Pension Reform Act 2004.
 - c. Objectives of the Pension Reform Act 2004.
 - d. Frequently asked Questions on the Contributory Pension Scheme as compiled by the National Pension Commission.
 - e. Conclusion.

PROBLEMS OF THE PRE-PENSION REFORM ACT: PUBLIC SECTOR'S SCHEMES

6. The problems that be devilled the previous pension reform scheme, public sector are:

- a. **Inadequate Budget Allocation.** According to National Pension Commission, the Pre-Pension Reform Act: Public Sector Scheme was underfunded because budgeted allocations for the schemes were far from promised benefits.
- b. **Unsustainable Outstanding Pension Liabilities Estimated at N2 Trillion.** The Pre-Pension Reform Act: Public Sector Scheme was

unsustainable. This is because the total money required to pay pensioners per annum far exceeded the amount released by government. For instance, in the period between 1960 and 2003, the total outstanding pension liabilities were estimated at the sum of N2 trillion. Pension arrears owed to 216,000 pensioners including the Armed Forces were over N56 Billion. Worse still, between 1995 and 1999, the proportion of pension to salaries increased from 16.7% to 30%.

c. **Weak and Inefficient Administration**. In this scheme, pensioner claims were hindered by protracted delays in processing and payment of benefits. Pension administrators were less transparent and deliberately created bureaucratic bottlenecks thereby making pension claim processes more cumbersome. Before now, about 14 documents are required to file for pension claims.

d. **Mismanaged Parastatals** Most of the over 300 Parastatals under the schemes were characterized by weak restrictive investment practices, underfunded and mismanaged.³ The flaws later led to the Parastatals demise and eventual bankruptcy.

PRE- PENSION REFORM ACT: PRIVATE SECTOR SCHEME

7. This scheme was created to cater for most workers not covered by any form of retirement benefit arrangements. This scheme was largely unregulated with highly diversified arrangements. Most were “resignation” rather than retirement schemes. The overall scheme was weak and inefficient in its administration.⁴

THE NEW PENSION REFORM ACT 2004

8. The overall philosophy of the Pension Reform is to correct the anomalies

inherent in the Pre Pension schemes. This scheme is a radical departure from the previous one. The Pension Reform 2004 scheme adopted a major reform instead of cosmetic adjustments of the past scheme is to ensure that every worker receives his retirement benefits as at when due. It also aimed to assist workers to save in order to cater for their livelihood during old age. More importantly, the Pension Reform Act 2004 scheme will establish a system that is financially sustainable, simple and transparent that will safeguard pension assets and promote savings.

OBJECTIVES OF THE NEW PENSION REFORM

9. The objectives of the scheme as contained in the Federal Republic of Nigeria official gazette of no 60, Vol 91 dated 30 June 2004 were as follows:

- a. To ensure that every person who worked in either public service of the federation, Federal Capital Territory or private sector received his/her retirement benefit as at when due.
- b. Assist improvident individuals by ensuring that they save in order to cater for their livelihood during old age.
- c. Establish a uniform set of rules, regulations and standards for the administration and payments of retirement benefits for the public service of the Federation, Federal Capital Territory and the private sector. The principal objectives of the commission shall be to regulate, supervise and ensure the effective administration of pension matters in Nigeria.⁵

FREQUENTLY ASKED QUESTIONS ON THE CONTRIBUTORY PENSION SCHEME

10. **What is this new scheme?** The new scheme is a contributory, fully funded, privately managed pension scheme that is based on individual accounts. It ensures that everyone who has worked receives his retirement benefits as when due.⁶

11. **How does it work?** The employer of the worker remits 15% of the basic salary, transport and housing allowances monthly into the worker's salary newly open individual Retirement Saving Accounts, made up of 7.5% personal and an equal amount of 7.5% employer's contributions. In the case of the military, the Federal Government as the employer contributes 12.5% while each soldier as the employee contributes 2.5% (making a total of 15% of the basic salary, housing and transport allowance) to the individual Retirement Saving Account of the soldier.

12. **What will happen to the contribution?** The total contribution will be paid out by the employer directly to a Pension Assets Custodian (PAC) and will be managed and invested by the Pension Fund Administrator (PFA), of the employee's choice.

13. **What does "fully funded" mean?** It means that the amount contributed by the employer and employee is actually paid to a custodian and invested by the Pension Fund Administrator. This gives the employee immediate ownership of his/her pension benefits.

14. **What is a pension fund administrator?** A Pension Fund Administrator is an entity licensed by the National Pension commission (Commission) and charged with the responsibility of managing and investing the pension funds. Each employee is free to choose a PFA.

15. **What is a pension assets custodian?** The Pension Assets custodian is an entity licensed by the National Pension Commission to hold pension assets in safe custody.

16. **What minimum Financial Resources must a Pension Assets Custodian Possess?** An applicant Custodian must be a licensed financial institution with a minimum net worth of N5,000,000,000.00 unimpaired by

losses and has a total assets of N125,000,000,000.00 is wholly owned by a licensed financial institution with similar financial resources. This is to ensure the safety of the funds considering the huge amount of funds to be warehoused by the custodians.

17. **How do I know which PFA to choose?** The commission will have a scheduled of all licensed PFAS, which will be made available to the public.

18. **What is difference between a PFA and a Custodian?** The PFA manages the pension funds and decides which kind of investment, to make while the custodian holds the pension fund assets and acts to order of the PFA.

19. **Do Pension contributions paid to PFA?** No. The employer sends his contribution as well as the employee's contribution directly to the custodian.

20. **How about individual accounts?** This is similar to a bank account. Every contributor will open Retirement Savings Account (RSA) with a Pension Fund Administrator of his choice. The PFA will be required to issue a statement of account at least once every quarter.

21. **Can I switch PFAs?** Yes. The employee has the freedom to move once a year from one PFA to another.

22. **What happens to my account when I change Jobs?** Nothing happens. The account is portable and will remain with you for life. You simply notify your new employer of the PFA that manages your account and thereafter your contributions will be sent to its Custodians.

23. **How much do I need to contribute?** A minimum of seven and half percent of your monthly basic salary, housing and transport allowance will be required, except for military personnel that require two and half percent.

24. **How much will my employer contribute?** A minimum of seven and a half percent of your monthly basic salary, housing and transport allowances except for the Military, which is twelve and one half percent. However, the employer may elect to bear the full burden of the scheme provided that the total contribution shall not be less than fifteen percent of the monthly basic salary, housing and transport allowance of the employee.

25. **Will this lead to a decrease in my salary?** No. You just save a part of your pay towards your old age and the employer contributes his portion.

26. **Will this involve everyone that works?** Yes, with the exception of existing pensioners, those who have 3 years or less to retire as well as categories of pensions under S.291 of the Constitution of Federal Republic of Nigeria. Employees in the private sector who are in employment in an organisation in which there are five or more employee are also covered.

27. **How does this differ from the existing scheme?** The existing scheme in the public service is one of Defined Benefits. Pension payments are not regular and in some cases never made. The new scheme is a Defined Contribution Scheme, which ensures that pension payments are made monthly, just like salaries thereby making it more sustainable.

28. **What is the difference between the defined benefit scheme and the defined contributory scheme?** Whereas the Defined Benefit pages the amount a retiree could receive, the new scheme based on Defined Contribution (DC), is a function of the level of an employee and employer's contributions in addition to returns on investment. Under the DC, the pension is immediately funded as funds exists from outset and payments will be made as and when due.

29. **How will I benefit?** You have the assurance that your old age is well catered for and the in the event of death, your family will have something to fall

back on.

30. **Who is the regulator and what is its role?** The National Pension Commission is charged with the regulation and supervision of the pension schemes as well as the power to formulate, direct and oversee the overall policy on pension matters in Nigeria.

31. **How can I be sure that my contribution is safe?** The commission will supervise all those administering or holding pension funds. The commission is empowered to sanction and if need be prosecute defaulting operators.

32. **How can I keep track of my investments?** Pension fund Administrators will issue regular statements to employees.

33. **When will I have access to this money?** Upon either retirement or at the age of 50, whichever falls later.

34. **Can I withdraw any portion of it?** Yes, upon the later of either retirement or reaching the of 50, and then only to the extent that what is left is sufficient to guarantee that at least 50% of your last salary will be paid to you monthly through an annuity or a programmed withdrawal. If an employee retires before the age of 50 years in accordance with the terms and conditions of his employment, he or she may withdraw a lump sum of money not more than 25% of the amount standing to his credit of RSA provided that such withdrawals shall only be made after six months of retirement and the retired employee does not secure another employment.

35. **What happens to the balance?** The balance is used to procure an annuity or fund a programmed withdrawal.

36. **What is programmed withdrawal?** A programmed withdrawal is the

method by which the employee collects his accumulated benefits in periodic sums for the length of an estimated life span.

37. **What is annuity?** An annuity is an income purchase from a licensed life insurance company approved by the commission with monthly or quarterly payments during the lifetime of retiree.

38. **What is the retirement age in the act?** The Act did not stipulate a Retirement Age. That is entirely dependent on each employer's terms and conditions of service.

39. **What is the minimum period required by an employee to qualify for pension under the act?** There is no minimum period required to qualify for pension as each employee has his individualized Retirement savings Account. Withdrawal from the account is however, limited to retirement according to an employee's condition of service or attainment of the age of 50.

40. **What happens if a PFA fails?** Your savings will not be affected as the Pension Fund custodian keeps the funds. Moreover, Pension Funds will be invested in a diversified portfolio of investment including Government Securities, Stock and Real Estate.

41. **Whom can I complain to if I am not satisfied?** Complain to the National Pension Commission.

42. **What is the role PF the government?** The government has set up a specialist Regulator of Pension Schemes and appointed the members of the board of the Regulator. Government will not tamper with the savings, as it will not have access to them. In fact, the government shall be primarily concerned with ensuring the safety of the saving through the establishment of the commission.

43. **How swill the economy benefit?** There will be a huge pool of long-term funds available for the investments, which will form a foundation for economic development.

44. **What happens to the retirement benefits of an employee who is already under a pension scheme existing before the commencement of the pension reform Act 2004?** Employee's right to accrued pension for past service is guaranteed by the Act. In the case of the Public Service of the federation and federal capital Territory where the scheme is unfunded, the right shall be acknowledged through a Federal Government Retirement Bond, which shall be redeemed upon the retirement of the employee. In anticipation of the redemption of the bond, the Federal government shall establish a Retirement benefits Bond Redemption Fund at the Central Bank of Nigeria into which it shall pay 5% of the total monthly wage payable to its employees on a monthly basis.

45. However, in the case of funded schemes and the private sector, employers shall credit the Retirement Savings Accounts of its employers with any funds to which each employee is entitled to and in the event of deficiency, the short fall shall become a debt and treated with same priority as salaries owed. The employer shall also issue a written acknowledgement of the debt and take steps to meet the shortfall

46. **What happens to existing private sector Pensioners?** Pension Board in private Sector already in existence will continue to administer their pensions and the Commission will supervise them.

47. Departments have also been created to carry out the functions of the relevant pension boards or offices in the public Service to ensure regular and prompt payment of pension benefits.

48. **Will private sector scheme continue to exist?** Yes, if they can show that the schemes are fully funded at all times and any shortfall is made up within 90 days. The pension funds and assets must be segregated from the assets of the Employer/company and held by a licensed Custodian. The employer must have also effectively managed pension fund assets for at least 5 years before the commencement of the Act, and have met certain criteria set by the Commission.

49. **What is a closed PFA?** It is similar to a Licensed PFA, except that it is for a particular scheme. Employers managing pension fund assets of N500,000,000.00 and above may apply to the Commission for a Closed PFA license to enable them administer their own schemes.

50. **What if any scheme has less than N500,000,000 Pension Fund Assets can it still keep it?** Yes. You can still maintain the scheme but it will have to be administered by a PFA.

51. **Is the scheme optional?** Not for those contemplated by the law. It is only those that are exempted by that law that have choice as to whether or not to join.

52. **Will gratuity be paid under the scheme?** Yes, but under different arrangement. A retiree can draw a lump sum from the balance of his Retirement Savings Account provided the balance after the withdrawal could provide an annuity or fund monthly payments that would not be less than 50% of his monthly pay as at the date of his retirement. The employer may pay gratuity over and above the schemes.

53. **Will inflation and devaluation not erode the value of the contributions?** The job of the PFAs is to administer the contributions and invest in such a manner that will safely ensure reasonable returns. Furthermore,

the Commission would ensure prudent management of pension assets through supervision and regulation. In addition, the different layers of compensation provided would outperform such erosion if they occur.

54. What is the minimum value of pension guaranteed by the new scheme? The value of the minimum pension guaranteed is to be determined from time to time by the Commission.

55. What is the guarantee that the accruals in the scheme will be well managed and not diverted to other ends? The function of the PFA and Custodian are so clearly delineated that it is difficult for either to misuse the pension funds and assets to the detriment of the contributor. Furthermore, the Commission would be unrelenting in protecting contributors' funds through effective regulation and supervision of the PFAs and Custodians.

56. Some persons consider that the composition of the proposed National Pension Commission is dominated by government appointees. Is there adequate provision for good presentation of all stakeholders on the commission? Yes. In addition to the government representatives, other stakeholders such as Labour, the Nigerian Union of Pensioners, and the Nigerian Employers' Consultative Association are also members of the commission.

57. Transparency, accountability and good governance are prerequisites for a thriving and effective administration of pension funds. Does the Act reflect the application of these principles? Yes. The new scheme entrenches the principles of good governance. The scheme would be regulated and supervised by an independent Commission and would be managed by private sector operators. An employee can choose who manages his Retirement Savings account including receiving a statement of his account quarterly with details of

contributions made and returns in investment.

58. **Why establish independent PFAs rather than allow existing financial institutions with proven experience in pension funds management to apply for license from the commission?** The safety of the pension funds is paramount. It is, therefore, imperative that the operators are single purpose vehicles dealing with pension funds management and investment only. It also ensures that the PFAs do not mix pension matters with other businesses, as these will hinder effective regulation and supervision.

59. **How is NSITF affected?** NSITF shall establish a PFA, which will manage Pension Funds and will continue to provide services other than pension to the nation. It will also be regulated and supervised by the commission.

CONCLUSION

60. This paper has highlighted the PENSION REFORMS ACT: 2004 and tries to answer the questions in its provisions. It is hoped that if the provisions in the Act are fully and well implemented to the core, the problems associated with the administration of pension in the country Will b e a thing of the past.

ABBREVIATIONS USED IN THE BRIEF

RBB	Retirement Benefits Bonds
RBBRF	Retirement Benefits Bonds Redemption Funds
IRSA	Individual Retirement Savings Account
PFA	Pension Funds Administrator
PAC	Pension Asset Custodian
NSITF	The Nigeria Social Insurance Trust Fund.

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PART EIGHT

THE FEDERAL GOVERNMENT SEVEN POINT AGENDA

INTRODUCTION

1. Nigeria, the most populous Africa nation of about 140 million people has a total area of 923,768 sq km consisting 910,768 sq km land area and 13,000 sq km territorial water. Its topography ranges from mangrove swampland along the coast to tropical rainforest and Savannah to the north. Nigeria has over 250 ethnic groups spread across 6 geo-political zones. The country has 36 states and the Federal Capital Territory (FCT) that constitute the federating units. Nigeria is blessed with abundant human and natural resources.

2. Since independence in 1960, at least 3 national development plans were made in order to chart a course for the country's economic growth and development. Unfortunately, however, only 2 of the development plans were executed while the 3rd could not even take off. Various governments have made concerted efforts at designing a development path to no avail. Recently the General Sani Abacha administration had designed the vision 2010 aimed at transforming Nigeria by the year 2010. The plan ended up as plan for it was never implemented. The present administration of Alhaji Umaru Musa Yar'adua is branding a new plan aimed at radically developing the country to be launched into the 20 world largest economies by the year 2020.

3. Post independence development efforts were directed mainly at education, health, agriculture and basic infrastructure such as roads and electricity. Before the discovery of crude oil in commercial quantity, the economy was agrarian and depended mainly on the production and export of groundnuts, palm oil and cocoa. Today, the economy is centred primarily around crude oil exploration and export with little concentration to non-oil

sections. Despite the country's huge foreign earning from crude oil no meaningful economic development has been achieved. While oil has financed major investments in the country's infrastructure, agriculture has been ignored. This has led to food insecurity in a land of plenty.

4. Nigeria had many failed economic development programmes. President Shehu Shagari had the Green Revolution and the austerity measures. Buhari/Idiagbon administration's most remarkable economic achievement was the change of the colour of the Naira and restoration of sanity in the economy. President Ibrahim Babangida introduced Structural Adjustment Programme (SAP). General Sanni Abacha's economic package was stabilizing the exchange rate of the naira against the US dollar. President Olusegun Obasanjo formed series of sectoral reforms covering politics, oil and gas, communication, security, education and power sector with the intention of making Nigeria an investor friendly nation as well as improving the living standard of Nigerians. These reforms were to actualize the administration's National Economic Empowerment Development Strategies (NEEDS).

5. The President, Musa Umaru Yar'adua administration took over on 29 May 2007 with collapsing infrastructure such as roads, power, water etc while key sectors such as manufacturing, agriculture, education and transport were floundering. It was against this background that the President unveiled a seven – point agenda which he hoped would restore the country's economy on a sound footing. The objective of the 7-point agenda is to fast-track national development which would launch Nigeria among the top 20 world economies by the year 2020. This is seen by the present administration as demonstrating its commitment towards developing a long term vision and strategic plan for the transformation of Nigeria. Consequently, the purpose of this paper is to discuss the 7-point agenda of President Umaru Musa Yar'adua's administration and the strategies for its implementation.

TRAINING OBJECTIVES

6. At the end of this part, candidates would be able to:
 - a. Understand the reasons for the 7-point agenda
 - b. Discuss the strategies for implementation of the 7-point agenda.

THE SEVEN –POINT AGENDA

7. The seven-point agenda as enumerated by the President Commander –in-chief of the Armed Forces of the Federal Republic of Nigeria, Umaru Musa Yar’adua are Power and Energy, Food security, Wealth Creation and Employment, Mass Transportation, land reform, security, as well as qualitative and functional education.

POWER AND ENERGY

8. The infrastructural reform in this sector that will lead to the development of efficient and adequate power supply will be to ensure Nigeria’s ability to develop as a modern economy and an industrialised nation by the year 2015.

9. The main stay of manufacturing in any economy is the availability of stable power supply. This must be guaranteed if vision 2020 is to materialize. Coal has been superseded as the chief source of Nigeria’s electricity by natural gas and hydro electricity facilities. Gas associated with oil production comes from about 150 fields, many in the swampy areas of Niger River Delta. As at 2000, Nigeria was sub-Saharan Africa’s largest oil producer. Since the 1990’s, oil production and export have been disrupted by attacks related to ethnic tension and environmental concerns in the oil – producing areas by setting fire to offshore oil installations, and bombing pipeline Illegal siphoning of fuel out of pipelines has caused a number of explosions which was much disastrous in 1998, 2000 and 2006-2007 in the Niger Delta and Lagos areas causing a great

loss of lives. A station operated by shell was out of production for 18 months losing over 40,000 barrels per day of production as a result of damage inflicted by armed attackers in 2001 causing great lost in the country's economy. This has become a common occurrence in recent times due to intermittent attacks on the oil rigs by the Niger Delta militants. Kidnapping threat to life and properties are strategies often affecting smooth operations in this sector. Since December 2005, violence in the Niger Delta has decreased Nigeria's oil output by nearly 20%. 100,000 barrels of oil per day is stolen, costing the country about \$1 billion in oil revenue in 2008 , making global investors wary of Nigeria.

10. President Yar'adua promised on assumption of office, to declare a state of emergency in the power sector which he described as a failed sector that is also fundamentally slowing down the nation's economic progress. Epileptic power supply is also identified as one of the strongest variables militating against the manufacturing sector. The power sector is characterized by low generating capacity relative to installed capacity. As at early 2008, electricity generation in the region about 3,000 megawatts, while the estimated national consumption need is not less than 25,000 megawatts. The potential demand for electricity in Nigeria has been estimated at 100,000 megawatts.

FOOD SECURITY AND AGRICULTURE

11. The emphasis on the development of modern technology, research, financial injection into research, production and development of agricultural input will revolutionize the agricultural sector leading to a 5-10 fold increase in yield and production. This will result in massive domestic and commercial output and technological knowledge transfer in farmers.

12. The reform is primarily agrarian based. Agriculture contributes about 42% of Nigeria's GDP and engages over 65% of the country's workforce. The

sector is constrained by enormous challenges, and is characterized by low output, inefficient and antiquated production tools and infrastructure. Approximately 66% of the country's total land mass of 92.377 million hectares is suitable for agricultural production but about half of that is not cultivated. The technological inadequacies in standardization and quality control have stunted our farm produce, rendering it uncompetitive in local and international markets.

13. Non-affordability of modern production inputs and equipment, low access to credit/finance and poor infrastructure, all combined to make local production uncompetitive. Poor funding which led to total collapse of research and extension services in the sector shall be overcome through the effective deployment of the National Resources fund if the seven-point agenda is to be achieved. Ineffective regulatory framework for enforcing grades and standards for farm produce has made farm output growth difficult.

14. Nigerian market and trade conditions have been constrained by unreasonably high price and low stocks of major staple foods in the country. Local areas that may be affected by poor rainfall and early end of the season water shortages, especially in the northern part of the country would lead to poor off-season harvest of irrigated crops as a result of low water table and insufficient water in rivers and ponds. As such, the irrigated harvest cannot compensate for the localized production shortages in main crops, hence, the need for dams for irrigation.

WEALTH CREATION AND EMPLOYMENT

15. The reform is focused on wealth creation through diversified production especially in the agricultural and solid mineral sector. It requires Nigerians to choose to work, as hard work by all is required to achieve this reform. By virtue

of its reliance on revenue from non renewable oil, Nigeria has yet to develop industrially.

16. More than 2/3 of Nigerians are poor. The incidence of poverty has been increasing at a significant rate since independence. Hence the establishment of the programs, National Economic Empowerment and Development Strategies (NEEDS) by the Olusegun Obasanjo government at the National level, the State Economic Empowerment and Development Strategies (SEEDS) at the state level and Local Government levels to achieve the national development goal by creating job opportunities to eradicate poverty in the country. The National Poverty Eradication Programmes (NAPEP) is to monitor and coordinate all poverty related programmes and projects in line with NEEDS and to periodically extend intervention projects to complement the efforts of the implementing Ministries, Departments and relevant parastatals throughout the country.

17. Wealth creation and distribution will not only serve to eradicate poverty, but also provide all citizens with the opportunity to contribute to national economic development process and to empower the poor to have a voice in the productive venture. Some of these projects and schemes are training for self employment opportunities which will be provided by the National Directorate of Employment (NDE), revolving micro-finance scheme, to provide access to soft loans and credit for large numbers of poor people who otherwise are excluded from the conventional financial system and to enable successful trainees establish small scale business. The Capacity Acquisition Programme (CAP) is to empower mainly the youths by developing targeted skills, promoting entrepreneurship and light manufacturing and encouraging credit unions for generating savings. The Farmer's Empowerment Programme (FEP) is to improve the lives of farmers and their families, to improve output and

productivity by introducing new techniques and by developing agro-allied activities.

18. The target of the federal government poverty eradication is to ensure that all Nigerians are provided with steady source of real income, high purchasing power; abundant, good quality and high nutritional food, basic health-care facilities, good quality education, good drinking water, good standard housing unit, good quality roads and other means of transport, stable and affordable power supply; good urban and rural communication facilities, cheap and affordable quality consumer products, and conducive environment for production and provision of quality services. If all of these are provided to Nigerians, then the target for eradicating poverty in Nigeria will be achieved as well as fulfilling the intention of the federal government through the 7-point agenda.

MASS TRANSPORTATION

19. With a goal of a modernized and industrialized Nigeria, it is mandatory that Nigeria develops its transport sector. This process has started by the ongoing rehabilitation and modernization of the railway system. The transport system is in a state of decay in all types of transportation and so requires total attention to make for smooth movement of people and goods/products from one place to another in the country.

20. Road transportation plays very important roles in the social and economic life of Nigerians. It is in the centre of connectivity of all other modes of transport, with a total network of about 193,000 kilometers, Nigerian road sector carries more than 90% of domestic passengers and freight.

21. The issues and challenges confronting the sector include over-reliance on road network, poor quality maintenance of roads, inadequate investment to meet the sector's requirement and a multiplicity of agencies with conflicting objectives.

22. As regards the railways, the 7-point agenda proposes some expansions as priority projects to link the Federal Capital Territory to the railway system and also to the 3 major ports. The sea-ports in Lagos and Port Harcourt shall be linked to the railways while studies shall be commissioned on the possibility of linking major airports with the railway to reduce congestion in intra-city transportation.

23. The marine transportation fixed infrastructure routes is to be enhanced through the viability of the waterways when the challenges of drought and dredging of the navigable rivers are tackled in order to achieve private sector participation.

LAND REFORM

24. The government has lost hundreds of billions of dollars through unused government owned landed assets; changes in the land laws and the emergence of lands reforms will optimize Nigeria's growth through the release of land for commercialized farming and other large scale business by the private sector.

25. The reform is concerned with changing the institutional structure governing man's relationship with the land, involving intervention in the prevailing pattern of land ownership, control and usage in order to change the structure of holding, improve land productivity and broaden the distribution of benefits. Land reform is an aggregate of ideas and courses of action designed to resolve tenure problems. However, investment in land improvement and increases in productivity are hindered by tenure rules. The unknown nature of

tenure changes increases the risks involved in initiating any program of land reform. Our legal and regulating environment characterized by archaic laws inhibiting efficient land transaction, while monetary and fiscal parameters are not conducive for sustainable housing finance. The existence of weak primary mortgage structures with attended capitalization, poor corporate governance and technical skill deficiencies have worsened the situation.

SECURITY

26. An unfriendly security climate precludes both external and internal investment into the nation. Thus, “security will be seen as not only a constitutional requirement but also as necessary infrastructure for the development of a modern Nigerian economy”.

27. Security of life and property represents one of the most important constitutional duties of government. Security, law and order are the foundation on which the success of all initiatives of government in ensuring good governance is anchored. Under no other form of government have the challenges of national security been more daunting and potentially sensitive than in a democracy. Lack of security threatens the stability of the politic and the safety of economic and social sectors of the society as well as greatly discouraging direct investment and tourism, thereby undermining economic growth.

28. Religious crisis especially in the north, violent attacks on oil workers for money, money kidnapping in the oil-rich Niger Delta consitute wholesome threat in Nigeria’s security. With the need for security, the Niger Delta security issue will be the primary focus marshalled not with physical policing or military security, but through honest accurate dialogue between the people and the Federal Government. This is because the communities are angry with the oil

companies whom they feel have exploited their resources without returns to the community, and feel a deep sense of isolation from government.

29. Armed attacks on national infrastructure such as oil and gas installations as well as power generation and transmission facilities not only scare away prospective investors but also slow down economic development and tourism. It has so far been identified that the major threats the nation is likely to face in the next decade will be internal rather than external.

30. The place of security in the attainment of peace, harmonious and stable democracy by 2020 cannot be over emphasized. Security and the rule of law are paramount to the overall attainment of the goals of the 7-point agenda.

QUALITATIVE AND FUNCTIONAL EDUCATION

31. The 2 fold reforms in the education sector will ensure firstly the minimum acceptable international standards of education for all. With that achieved, a strategic educational development plan will ensure excellence in both the tutoring and learning of skills in science and technology by students who will be seen as future innovators and industrialists of Nigeria.

32. Government intervention is to address the issues of vocational education and woman empowerment, especially in the northern part of the country. The reform of the education sector is all embracing such that no segment should be left behind in the movement towards achieving vision 2020. The major problems in the sector are not the lack of know-how, the absence of a workable national policy on education or the lack of capital to adequately fund education, but the failure to inject massive fund into the sector; implement a clearly defined and well articulated vision of education; and the reluctance of leadership at all levels to hold individuals accountable for their actions.

STRATEGIES FOR IMPLEMENTATION

33. The success of President Yar' Adua's administration will ultimately be judged by government's achievement in the 7-point agenda. The 7 points should be comprehensively articulated and the implementation strategies adequately laid out to ensure their realization. The following are the strategies of the key aspects of the 7-point agenda.

34. Central to the transformation strategy for power are:

- a. Articulating initiatives to attract private sectors
- b. Clearly define roles for private and public sectors involvement in power generation, transmission and distribution.
- c. Improve transmission and distribution to support generation capacity, and
- d. Increase power generation capacity through diversification of existing plants, among others.

35. Hydro, thermal and solar sources of energy generation would be exploited. Communal policing of power lines, grids and equipment to prevent theft and vandalization will be exploited. Government will improve the power sector to move from the 3,000 mega -watts to the potentially required 100,000 megawatts within the shortest possible time. Gas as an alternative industrial energy source, will be taken seriously and incentives given to interested developers. More licenses will be given to interested investors and non-performing ones cancelled.

36. The Federal government needs to intervene in food security include strengthening of agribusiness through institution of a profitability and prices support mechanism, land tenure changes, aggressive development and supply of new land resources, technological empowerment of the sector, increased access

to credit finance, improvement of rural access infrastructure, resuscitation of the River Basin Development Authorities (RBDAs), strengthening of farmer support groups through commercial farmers to professionalize agribusiness in Nigeria. Additional land for cultivation and irrigation facilities around our dammed water bodies will be granted to provide excellent opportunities to increase farm output and employment prospects in rural areas.

37. The reintroduction of the Commodity Boards and its Licensed Buying Agents will be undertaken to boost the marketing prospects of our farm produce. The new National Policy on Agriculture launched by the previous administration shall be made to strengthen national food security, increase production and local processing of agricultural raw materials and increase employment generation opportunities in the food sector. Other storage facilities not currently in use will be utilized for grain storage as part of the national food reserve.

38. In order to achieve the desired goal, roads and bridges should be kept in good conditions if they are to support the desired socio-economic development of the country. It is therefore government's desire to preserve the road assets by involving private sector participation in financing and managements of road network.

39. The Road Sector Development Team (RSDT) of the Federal Ministry of Works is currently working on the road sector reform to improve service delivery, enhance management capability and create a conducive institutional, legal and regulatory framework to enable the private sector participate in the road sector. It is envisaged that some of the federal highways would be leased to private contractors for maintenance and expansion.

40. The specific areas that government intends to intervene to enable the environment for wealth creation and employment are as follows:

- a. **Leadership and governance.** Government will enable the environment needed for the private sector to drive wealth creation. The institutionalization of leadership and good governance is a prerequisite for an environment that allows wealth creation.
- b. **Promoting a “Formalized Self Employment”.** Sector Artisans, farmers, market women traders and proprietors properties of small and Medium-scale Enterprises (SMEs) will be helped to formalize their businesses and to acquire entrepreneurial skills.
- c. **Skills Development for Productivity.** Government will concentrate on giving functional vocational training to job seekers and encourage the training of the existing labour force to meet industry demands. The course offerings in our universities, polytechnics and technical colleges will need to be re-orientated to current needs of industries.
- d. **Facilitating Access to Credit.** The entrepreneurial spirit of the poor would be significantly enhanced through the provision of financing in the form of micro-credit. Formalization of informal businesses and land reform system are keys to access to credit by the poor.
- e. **Non-Governmental Organizations (NGOs).** NGOs can facilitate wealth creation through their capacity-building programmes. Government will partner with NGOs and religious groups to execute wealth creation strategies that focus on the empowerment of the poor through capacity – building initiatives.
- f. **Nigerians in Diaspora.** Government will involve Nigerians in promoting wealth creation through the funding of specific projects of their choice (directly or through the capital market) or the provision of technical and managerial skills which they possess in abundance.

g. **Retraining of Graduates.** Massive retraining of graduates to accelerate the production of health workers, teachers, and IT specialists is highly recommended.

41. The solutions to land reform administration problems will include review of the Land Use Act particularly removing the provisions pertaining to Government's consent to assign and mortgage; establishment of specialized courts to determine the terms and timing of challenge/contestation of foreclosure, computerization of all land related records at all levels. There will also be the need to persuade state governments to convert their Housing Corporations into land companies with mandate to develop new towns in the states, reorganizing the Federal Housing Authority (FHA) to provide mortgage insurance for affordable housing sustaining the Federal Mortgage Bank of Nigeria as a secondary mortgage institution refinancing loan originators through the capital market and the provision for legal protection of lenders against bankruptcy to attract investors in housing finance passage of foreclosure and securitization laws.

42. The collaboration of all security organizations in the country is a major step to combating crime. The Directorate of Military Intelligence, the State Security Services, the Crime/State Intelligence Bureau of the Police, and the Intelligence Units of all Agencies' resources will be pooled together by government to create a central crime intelligence directorate. The federal government will upgrade both the content of their training programmes and the facilities in the respective agencies' training schools in line with modern trends. The agencies should be provided with specialist equipment as well as adequate funding, while taking cognizance of competing demands for budgetary allocation. The ability to communicate within and between the services will be enhanced. Sustained public education campaigns will be used to alert people to the consequences of deviant activities. Government will also explore avenues

of cooperation with established law enforcement agencies across the world to provide assistance to our law enforcement agencies.

43. The government will therefore train and equip all security agencies to conduct both counter insurgency and internal security operations. There would be attitudinal change campaign by all agencies with more emphasis on loyalty, dedication, commitment to duty, professionalism, transparency, accountability, maintenance of equipment and infrastructure as well as strict adherence to the rule of law.

44. The Niger-Delta security issue will be the primary focus. There should be physical dialogue between the people and the federal government. The federal government had established the Niger Delta Development Commission (NDDC) by an act of the National Assembly in 2000. The NDDC is currently funded by the Federal Government and the oil companies within the region. The establishment of the Ministry of the Niger Delta last year with the NDDC is to faithfully, implement the Niger Delta Master Plan; mainstreaming small business development initiative; enforcement of the local content policy in oil and gas sector; and a regional gas grid alongside an effective international transport system to enable industrialization and development of the region, better accountability and coordinated deployment of the Derivation Funds, and other long term funds available into the right capital projects to be utilized among others.

45. Considering the importance of education in human development, 3 coordinated approaches are needed by the federal government namely making Universal Basic Education (UBE) programme more result oriented with intensive monitoring; strengthening of secondary education by focusing on sciences and technology; and raising the standard of tertiary education.

Government intervention is to address the issues of vocational education and women empowerment, especially in the northern part of the country.

46. It is therefore, the responsibility of the federal government to effectively administer these sectors with the minimum acceptable international standards of education. This would involve government restructuring of all levels of education by the government to fit into the current practices in the sector which requires transparency and accountability, reduced class size with a teacher-student ratio of 1:35, provision of a conducive learning environment, provision of well equipped science laboratories and the retraining and retention of well motivated, dedicated and competent teaching staff.

47. For the 7-point agenda to be realistically implemented and funded, the government may have to look beyond party ideologies and loyalists. The government stated that it intends to use the capital market to finance the agenda and that it would soon come up with a legal and regulatory frame work for public-private sector partnership. The government stated that the capital market would encourage and sustain such public-private sector partnerships that would in turn positively make impact on key sectors of the national economy. These initiatives do not represent alternative to government funding but are sources of additional funding.

CONCLUSION

48. In conclusion, the 7-point agenda offer a guideline for Nigeria to succeed in a globalizing world. The successful implementation of the agenda is expected to guarantee the attainment of the goals of vision 2020. The agenda is compatible with all cultures, even if the implementation of these principles may not benefit every sector in the society equally. Warlords, clan chieftains, or corrupt officials will oppose such reforms. Therefore, foreign aid needs to

focus on assisting countries in developing, implementing, monitoring and improving good governance development. When these are achieved, Nigeria will attain the objectives of the 7-point agenda and the actualization of vision 2020.

SELF ASSESSMENT QUESTIONS (SAQ)

- a. List and explain briefly the federal government 7-point agenda.
- b. Examine the federal government 7-point agenda as it affects wealth creation
- c. In your own opinion, can the 7-point agenda sustain economic growth in Nigeria?
- d. Discuss power and energy as they relate to the Federal Government's 7-point agenda.
- e. How has insecurity threatened the stability of Nigeria's economy?

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PART NINE

NIGER DELTA CRISIS

INTRODUCTION

1. The Niger Delta crisis started a long time ago with the agitation for self determination which has continued up to this day. Isaac Adaka Boro, an Ijaw man from the area formed his militia group in the late 50s to protest perceived government neglect of the Niger Delta area. However, the advent of the civil war and the creation of Rivers State by the Gowon administration doused the tense situation. The increase in oil exploration and exploitation in the area brought with it environmental degradation and economic hardship. Successive governments in the country in turn failed to address the issue of economic hardship suffered by people from the area, prompting the resurgence to agitation for resource control.

TRAINING OBJECTIVES

2. By the end this part the candidates would be able to:
- a. Explain and analyse the cause(s) of the Niger Delta crisis.
 - b. Identify the diverse sub-crisis and their origins.
 - c. Differentiate between armed struggle and hostage taking.

HISTORICAL BACKGROUND

3. The failure of successive governments to address the issue of economic hardship suffered by the people of Niger Delta prompted the resurgence of agitation for resource control. Nigeria, after nearly four decades of oil production, had by the early 1990s become almost completely dependent on petroleum extraction (economically), accounting for 25% of its GDP (this has

since risen to 40% as of 2000). Despite the vast wealth created by petroleum, the benefits have been slow to trickle down to the majority of the population who since 1990s has increasingly abandoned the traditional agricultural practices leading to a significant drop in cash and food crop production, in the later part of the 20th century. Cocoa production dropped by 43% (Nigeria was the world's largest cocoa exporter in 1960), rubber dropped by 29%.

4. The delta region has a steadily growing population estimated to be over 30 million people as of 2005, accounting for more than 23% of Nigeria's total population. The population density is also among the highest in the world with 265 people per kilometer squared. This population is expanding at a rate of 3% per year and the oil capital, Port Harcourt, along with other large towns are growing rapidly. Poverty and urbanization in Nigeria are on the rise, and official corruption is considered a fact of life. The resultant scenario is one in which there is urbanization but no accompanying economic growth to provide jobs. This has ironically forced the growing populace to begin destroying the ecosystem that they require to sustain themselves.

THE CASE OF OGONILAND (1992 – 1995)

5. Ogoni land is a 404 – square mile (1,050km) region in the southeast of the Niger Delta basin. Economically viable, oil was discovered in Ogoniland in 1957, just one year after the discovery of Nigeria's first commercial petroleum deposit, with Shell and Chevron setting up shop throughout the next two decades. The Ogonis, a minority ethnic group of about half a million people who call Ogoniland home, and other ethnic group in the region attest that during this time, the government began forcing them to abandon their land to oil companies without consultation, and offering negligible compensation. This was further supported by a 1979 constitutional provision which afforded the federal government full ownership and rights to all Nigerian territory and also

decided that all compensation for land would “be based on the value of crops on the land at the time of its acquisition, not on the value of the land itself”. The Nigerian government could now distribute the land to oil companies as it deemed fit.

6. The 1970s and 1980s saw the government’s promises of benefits for the Niger Delta people fall through, with the Ogoni growing increasingly dissatisfied and their environmental, social and economic wellbeing deteriorating rapidly. The Movement for the Survival of the Ogoni People (MOSOP) was formed in 1992. (MOSOP, spearheaded by Ogoni play writer and author Ken-Saro- Wiwa, became the major organization representing the Ogoni people in their struggle for ethnic and environmental rights. Its primary targets, and at times adversaries, have been the Nigerian government and the oil company Royal Dutch shell.

7. Beginning in December 1992, the conflict between the Ogonis and the oil companies escalated to a level of greater intensity on both sides. Both parties began carrying out acts of violence and MOSOP issued an ultimatum to the oil companies (Shell, Chevron and the Nigerian National Petroleum Corporation) and demanded some of \$10 billion in accumulated royalties, damages and compensation, and “immediate stoppage of environmental degradation” and negotiation for mutual agreement on all future drilling.

8. The Ogonis threatened to embark on mass action to disrupt operations if the companies failed to comply. By this act, the Ogoni shifted the focus of their actions from an unresponsive federal government to the oil companies operating in their own region. The rationale for this assignment of responsibility was the benefits accruing to the oil companies from the extraction of the natural wealth of Ogoniland and the neglect by the central government.

9. The government responded by banning public gatherings and declaring that disruption of oil production was an act of treason, oil extraction from the territory had slowed to a trickle of 10,000 barrels per day (1,600m³/d.5% of the national total), However, because the ban was temporary security measure, it provided the government with a compelling reason to restore order.

10. Military repression escalated in May 1994 and on May 21 soldiers and some mobile policemen appeared in most Ogoni villages. On that day, four Ogoni chiefs (all on the conservative side of a schism within MOSOP over strategy) were brutally murdered. Saro-wiwa, head of the opposing faction, had been denied entry to Ogoniland on the day of the murders, but he was eventually detained in connection with the killings.

11. The Rivers State Internal Security Force claimed to be searching for those directly responsible for the killing of the four Ogonis. However, witnesses say that they engaged in terror operations against the general Ogoni population. Amnesty International characterized the policy as deliberate terrorism. By mid June, 30 villages had been completely destroyed, 600 people were detained, and at least 40 had been killed.

12. In May 1994, nine activists from the movement who would become known as the Ogoni nine, among them Ken Saro- Wiwa, were arrested and accused of incitement to murder following the deaths of four Ogoni elders. Saro-Wiwa and his comrades denied the charges but were imprisoned for over a year before being found guilty and sentenced to death by a specially convened tribunal, on 10 November 1995. The activists were denied due process, and upon being found guilty were executed via hanging by the Nigerian state.

13. The executions were met with immediate international response. The trial was widely criticized by human rights organizations and the governments of

other states, who condemned the Nigerian government's action. The commonwealth of Nations, which had also pleaded for clemency suspended Nigeria's membership in response. The United States, the United Kingdom, other western countries applied sanctions which however had no impact on oil production.

14. Shell asked the Nigerian government for clemency towards those found guilty, but its request was turned down. However in 2001 Green peace report found that two witnesses that accused them (Saro-Wiwa and other activists) later admitted that Shell and the military had bribed them with promises of money and jobs at Shell. Shell admitted having given money to the Nigerian military, who brutally tried to silence the voices which claimed justice.

15. As of 2006, the situation in Ogoniland has ceased significantly, engendered by transition to democratic rule in 1999. However, no attempt has been made by the government or an international body, to bring about justice by investigating and prosecuting those involved in the violence and property destruction that have occurred in Ogoniland.

WARRI CRISIS

16. The late 1990s saw an increase in the number and severity of clashes between militants of the Ijaw ethnic group, the largest in the entire delta region with a population of over 7 million, and those of Itsekiri origin whose number is estimated at 450,000. The conflict between the two groups has been particularly intense in the major town of Warri. While the Ijaw and the Itsekiri have lived harmoniously, alongside each other for centuries, the Itsekiri were the first to make contact with European traders as early as the 16th century, and they were more aggressive both in seeking western education and in using the knowledge acquired to press their commercial advantages, until the arrival of Sir George Goldie's National Africa Company (later renamed the Royal Niger Company)

in 1879. Itsekiri chieftains monopolized trade with Europeans in the western Niger region. Despite the loss of their monopoly, the advantages already held by the Itsekiri ensured that they continued to enjoy a superior position to that held by the Ijaw, breeding in the latter a sense of resentment at what they felt to be colonial favoritism towards the Itsekiri. The departure of the British at independence did not lead, as might have been expected, to a decrease in tensions between the Ijaw and the Itsekiri. With the discovery of large oil reserves in the Niger Delta region in the late 1950s a new bone of contention was introduced, as the ability to claim ownership of a given piece of land now promised to yield immense benefits in terms of jobs and infrastructural benefits to be provided by the oil companies. Despite this new factor, rivalry between the two groups did not actually escalate to the level of violent conflict.

17. The issue of local government ward allocation proved particularly contentious, as the Ijaw felt that the way in which wards have been allocated ensures that their superior numbers will not be reflected in the number of wards controlled by politicians of Ijaw ethnicity especially control of the city of Warri. The largest metropolitan area in Delta State and therefore a prime source of political patronage, has been an especially fiercely contested prize. This has given birth to heated disputes between the Ijaw, the Itsekiri and the Urhobo about which of the three groups are “truly” indigenous people to the Warri region, with the underlying presumption being that “real” indigenes should have control of the levers of power, regardless of the fact that all three groups enjoy ostensibly equal political rights in their places of residence.

IJAW UNREST (1998 - 1999)

18. The December 1998 all Ijaw Youths Conference crystallized the Ijaw's struggle for petroleum resources control with the formation of the Ijaw Youth Council (IYC) and the issuing of the Kaiama declaration. In it, long held Ijaw concerns about the loss of control of their homeland and their own lives to the oil companies were joined with commitment to direct action in the declaration, and in a letter to the companies, the Ijaws called for oil companies to suspend operations and withdraw from Ijaw territory. The IYC pledged "to struggle peacefully for freedom, self determination and ecological justice" and prepared a campaign of celebration, prayer, and direct action tagged operation Climate Change, beginning December 28.

19. In December 1998, two warships and 10-15,000 Nigerian troops occupied Bayelsa and Delta states. As the Ijaw Youth Congress (IYC) mobilized for operation climate change, soldiers entering the Bayelsa state capital Yenagoa announced that they had come to attack the youths trying to stop the oil companies. On the morning of December 30, two thousand young people passed through Yenagoa, dressed in black, singing and dancing. Soldiers opened fire with rifles, machine, guns and tear gas, killing at least three protesters and arresting twenty-five more. After a march to demand for the release of those detained was turned back by soldiers three more protesters were killed, including Nwachuku Okeri and Ghadafi Ezeifile. The military declared a state of emergency throughout Bayelsa state. Imposed a dusk-to-dawn curfew, and banned meetings. At military roadblocks, local residents were severely beaten or detained.

20. According to a news reporter, on January 4, 1999 about one hundred soldiers from the military base at Chevron's Escravos facility attacked Opia and Ikiyan, two Ijaw communities in Delta State. Bright Pablogba, the traditional

leader of Ikiyan, who came to the river to negotiate with the soldiers, was shot along with a seven year old girl and possibly dozens of others. Of the approximately 1,000 people living in the two villages, four people were found dead and sixty two were still missing months after the attack.

21. However, operation Climate Change continued and disrupted Nigerian oil supplies through much of 1999 by turning off valves through Ijaw territory. In the context of high conflict between the Ijaw and the Nigerian federal government (and its police and army) the military carried out the Odi massacre, killing scores, if not hundreds of Ijaws. Subsequent actions by Ijaws against the oil industry included both renewed efforts at non-violent action and militarized attack on foreign oil workers.

THE CREATION OF THE NIGER DELTA COMMISSION (2000)

22. The Niger Delta Development Commission (NDDC) was established by President Olusegun Obasanjo with the sole aim of developing the oil-rich Niger-Delta region of southern Nigeria. Since its inauguration, the NDDC has focused on the development of social and physical infrastructure, ecological/environmental remediation and human development.

THE EMERGENCE OF ARMED GROUPS IN THE DELTA REGION/MEND HOSTAGE SITUATION

23. The ethnic unrest and conflicts of the late 1990s (such as those between the Ijaw and Itsekiri) coupled with a spike in the availability of small arms and other light weapons, led increasingly to the militarization of the Niger Delta region. By this time, local and state officials have become involved by offering financial support to paramilitary groups whom they believed would assist in enforcing their own political agenda.

24. Prior to 2003, the epicenter of regional violence in the Niger Delta was Warri. However, after the convergence of the largest militant groups in the region, the Niger Delta People's Volunteer force (NDPVF) led by Mujahid Dokubo- Asari and the Niger Delta Vigilante (NDV) led by Ateke Tom (both of which are comprised primarily of Ijaws), conflict became focused on Port Harcourt and outlying towns. The two groups dwarf a plethora of smaller militias supposedly numbering more than one hundred. The Nigerian government classifies these groups as "cults, many of which begin as local university fraternities. The groups have adopted names largely based on western culture some of which include Icelanders, Greenlanders, KKK and Vultures. All of the groups are of disaffected young men from Warri, Port Harcourt, and their sub-urban areas. Although the smaller groups are autonomous from within, they have formed alliances with and are largely controlled from above by either Asari and his NDPVF or Ateke Tom's NDV who provide military support and instruction.

25. The NDPVF which had the explicit goal of acquiring control of regional petroleum resources NDPVF attempted to control such resources primarily through oil bunkering. While oil corporations and the Nigerian state point out that bunkering is illegal, militants justify bunkering saying they are being exploited and have not benefited from the profitable but ecologically destructive oil industry. Bunkered oil can be sold for profit usually to destinations in West Africa and also abroad.

CREATION OF NIGER DELTA MINISTRY

26. The Nigeria government recently created the Ministry of Niger Delta with the aim of promoting development in the impoverished Niger Delta and combating the violence that area. This is regrettable because Nigerian oil production has dropped by as much as 20 percent in recent years.

27. To groups like the Movement for the Emancipation of the Niger Delta (MEND) and armed gangs who have been blamed for oil and gas production shortfalls in the Delta as well as adding to the misery of its residents, most of whom live on less than \$1 a day. Doubts however persist as to how far this Ministry would help in the implementation of the oil and gas industry reform process or stem the spiraling violence in the delta where over 1 million barrels of crude oil remain shut - in owing to pipeline vandalisation, kidnapping, arson, and seizure of oil platforms, etc.

CONCLUSION

28. Conflict in Niger Delta arose as a result of tensions between the foreign oil corporations and a number of the Niger Delta's minority ethnic groups who felt they were being exploited, particularly the Ogonis as well as the Ijaw. Ethnic and political unrest has continued unabated. Despite the transition to democracy in 1999, competition for oil wealth has fuelled violence amongst innumerable ethnic groups leading to the militarization of nearly the entire region.

29. The Niger Delta conflict which dates back to early 1950s with agitation for self determination in the midst of total neglect, has taken a turn for the worst leading to criminality, loss of lives and properties. It is hoped that the recent federal government 7-Point intervention plan broken into the immediate, short term and long term measures, if seriously executed will go a long way in assuaging the restiveness in the Niger Delta.

SELF ASSESSMENT QUESTIONS (SAQ)

30.
 - a. Explain the remote and immediate causes of the Niger Delta crisis.
 - b. Do you agree that “bunkering” was the major reason for the emergence of armed groups in Niger Delta region?
 - c. Isaac Boro, was a freedom fighter, while Asari Dokubo is a militant leader. Discuss.
 - d. Ken Saro Wiwa was the leader of Ogoni nine that murdered the four prominent chief. Discuss.
 - e. The creation of Niger Delta Ministry is a panacea to the crisis in Niger Delta. Do you agree?

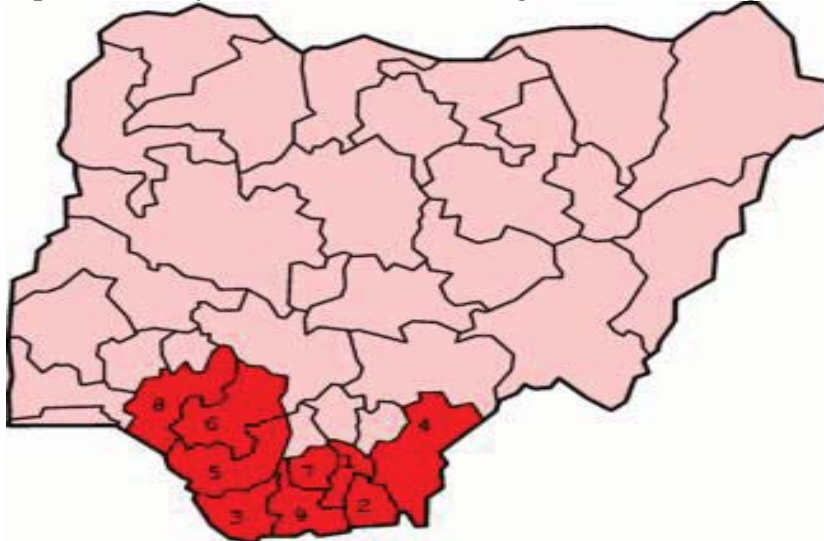
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PART TEN**THE FEDERAL GOVERNMENT'S AMNESTY TO MILITANTS:
STRATEGIES TO ENSURING LASTING PEACE
IN THE NIGER DELTA****INTRODUCTION**

31. Crude Oil is a major source of energy. When distilled, the by-products derived from it are quite numerous and serve vast purposes. Even the waste product (gas) is no longer regarded as such, considering the innumerable functions it satisfies both domestically and in industries. Invariably, the quest for crude oil is global. This is why it is referred to as *black gold* in consideration of its importance and money-spinning. The leading world producers of crude oil have constituted themselves into a body to control the pumping of crude oil and the sales; among other reasons for the formation of the Organization of Petroleum Exporting Countries (OPEC). Crude oil was discovered in Nigeria in 1957 and the country joined OPEC in 1971.

32. The processes involved in the extraction of crude oil involve lots of wastages in the form of oil spillages and also gas flaring. It is inevitable that these wastages in one way or the other damage the ecosystem of the environment where crude oil is found. Close to 100% of the crude oil found in Nigeria are located in the South-South geographical zone of the country, which also constitute the delta segments of the River Niger. Hence the entire region as represented by the states below is regarded as the Niger Delta Region.



Map of Nigeria numerically showing states typically considered part of the Niger Delta region: 1. [Abia](#), 2. [Akwa Ibom](#), 3. [Bayelsa](#), 4. [Cross River](#), 5. [Delta](#), 6. [Edo](#), 7. [Imo](#), 8. [Ondo](#), 9. [Rivers](#)

33. The Niger Delta region has a steadily growing population estimated to be over 30 million people as at 2005, accounting for more than 23% of Nigeria's total population. The population density is also among the highest in the world with 265 people per kilometre-squared (reference NDDC). This population is expanding at a rapid 3% per year. Through crude oil, the Niger Delta has been the foremost economic resource generator for Nigeria. However, the most of the Niger Delta indigenes depend on fishing and farming for sustenance. These activities have been adversely affected due to the activities of oil exploration and exploitation. Subsequently, agitations for better living conditions and increased requests on the Federal Government for more revenue allocations from the oil proceeds in favour of the Niger Delta Region emerged.

TRAINING OBJECTIVES

34. At the end of this part candidates would be able to:
- a. State the genesis of the Niger Delta conflicts.
 - b. Identify some major militant groups.
 - c. State the effects of the conflict on the national economy.
 - d. Mention the strategies put in place by the Federal Government to ensure lasting peace in the Niger Delta region.

DEFINITION OF KEY TERMS

35. **Militant.** Microsoft Encarta 2009, defines a militant as somebody aggressively supporting a cause; an aggressive defender or supporter of a cause. The Concise English Dictionary describes a militant as a person favouring confrontational methods in support of a cause, willing to engage in warfare.

36. **Amnesty.** The Concise English Dictionary explains that amnesty is “an official pardon for people convicted of political offences; an official undertaking to take no action against specified offences during a fixed period.” The Encarta 2009, states that amnesty is a pardon: a general pardon, especially for those who have committed political crimes. It stated further that amnesty is a prosecution-free period: a period during which crimes can be admitted or illegal weapons handed in without prosecution.

CONFLICTS IN THE NIGER DELTA REGION

37. Summarily, most of the conflicts within the Niger Delta region derive from the agitations of the people for improved Federal Government's

presence vis-à-vis infrastructural development. The region is generally irked by the lack of good roads network, lack of water, electricity and very poor health and educational facilities. The slow response of the Federal Government to these demands, snowballed to the demand for high revenue allocation from the federation account. All these are traceable to the development of *laws* (i. *The Petroleum Act of 1969 and 1991*, ii. *The National Waterways Decree of 1997*, iii. *The Land Use Act of 1978 and 1993*), which made it impossible for the Niger Delta people to control what is produced on their soil. The arguments in favour of these agitations being that the region, through the natural resources found on their soil, provides more than 80% of the country's revenue. It is of importance to note, however, that all aforementioned laws have been variously protested against by indigenes of the Niger Delta region.

38. The Niger Delta crisis started a long time ago with the agitation for self determination which has continued up to this day. Isaac Adaka Boro, an Ijaw man from the area formed his militia group in the late 50s to protest perceived government neglect of the Niger Delta area. Several other forms of conflicts emerged as time went on. Notably amongst these were:

- a. The Ogoni Land Crisis (1992 – 1995).
- b. The Warri Crisis (1990s).
- c. The Ijaw Unrest (1998 – 1999)

EMERGENCE OF THE MILITANTS

39. The inability of the Federal Government to be on top of these agitations led to aggressive approach by the youths of the region towards settling the issues. The ethnic unrest and conflicts of the late 1990s (such as those between the Ijaw and Itsekiri) coupled with a spike in the availability of small arms and other light weapons, led increasingly to the militarization of the Niger Delta region. By this time, local and state officials have become involved by offering financial support to paramilitary groups whom they believed would assist in enforcing their own political agenda. However, after the convergence of the largest militant groups in the region, the Niger Delta People's Volunteer force (NDPVF) led by Mujahid Dokubo- Asari and the Niger Delta Vigilante (NDV) led by Ateke Tom (both of which are comprised primarily of Ijaws), conflict became focused on Port Harcourt and outlying towns. The two groups dwarf a plethora of smaller militias supposedly numbering more than one hundred. Of all the groups, the most dreaded and coordinated was the MEND (Movement for the Emancipation of Niger Delta).

ACTIVITIES OF THE MILITANTS AND THREAT TO NATIONAL SECURITY

40. The NDPVF which had the explicit goal of acquiring control of regional petroleum resources NDPVF attempted to control such resources primarily through oil bunkering. While oil corporations and the Nigerian state point out that bunkering is illegal, militants justify bunkering saying they are being exploited and have not benefited from the profitable but ecologically destructive oil industry. Bunkered oil can be sold for profit usually to destinations in West Africa and also abroad. The militants really constituted a threat to the national security and the economy. For instance, MEND, a shadowy insurgent group in the last three years, has waged a devastating war on the nation's oil industry and succeeded in crippling oil production by 25 per cent. Also, gunmen in the Niger Delta, have been responsible for pipeline bombings, attacks on oil and gas installations and kidnapping of industry workers over the past three years. The most terrible of the activities of the militants was as reported by the Sunday Sun of 19 July 2009: "In the estimation of the Movement for Emancipation of the Niger Delta (MEND), last Sunday's (12 July 2009) bombing at the Atlas Cove Jetty in Lagos was perhaps the most successful for the group since it launched its two-pronged Hurricane Piper Alpha and Hurricane Moses two months ago. No fewer than three naval personnel, including a Naval Commander and six civilians were reportedly killed in the attack on the facility operated by the Nigerian National Petroleum Corporation (NNPC)."

41. The nature of weapons recovered from the militants was enough to speak volumes on the gravity of security threat the activities of the militants created for the country. As reported on 4 October 2009 by the *Vanguard*, "so far, over 700 arms, 19 gunboats and 280, 000 rounds of mix ammo ranging from AK47, submachine guns, bombs, heavy duty brand guns and Lar rifles have been moped up from the creeks."

STRATEGIES TOWARDS RESOLVING AGITATIONS

42. The Federal Government under the umbrella of different administrations tried through various strategies to resolve the Niger Delta impasse. Summarily, the most prominent approaches included:

- a. **Establishment of the Niger Delta Development Commission (NDDC)**. The NDDC was established by President Olusegun Obasanjo with the sole aim of developing the oil-rich Niger-Delta region of southern Nigeria. Since its inauguration, the NDDC has focused on the

development of social and physical infrastructure, ecological/environmental remediation and human development. However, not visible result was achieved by the commission.

b. **Establishment of the Ministry of Niger Delta.** The Nigeria government recently created the Ministry of Niger Delta with the aim of promoting development in the impoverished Niger Delta and combating the violence that area. This ministry is still in place and has designed a commendable road-map for the infrastructural development of the Niger Delta Region. The activities of the militants also affected the proper functioning of the ministry.

c. **Use of the Joint Task Force.** This task force is made up of the Nigerian Army, Navy, Air Force and the Police. The task force was mandated to check-mate the activities of the militants and bring to a halt their existence. The force is also expected to provide adequate security for the multinational firms that drill oil in the area. The force is still operating.

d. **Offer of Amnesty.** The Federal Government's offer of amnesty to the militants is the last and most laudable strategy adopted to end the commotions perpetrated by the militants in the Niger Delta. Sunday Tribune, 28 June 2009, reported that "*The President last Thursday (25 June 2009), offered a 60-day amnesty to gunmen in the Niger Delta, who have been responsible for pipeline bombings, attacks on oil and gas installations and kidnapping of industry workers over the past three years.*" He stated, "*I hereby grant amnesty and unconditional pardon to all persons who have directly or indirectly participated in the commission of offences associated with militant activities in the Niger Delta.*" He further said, "*the offer of the amnesty is open to all militants for a period of 60 days and is predicated on the willingness and readiness of the militants to give up all illegal arms in their possession, completely renounce militancy in all its ramifications unconditionally, and depose an undertaking to this effect.*" The announcement came shortly after a meeting between Yar'Adua and the National Council of State comprising former Heads of State, Senate President, Speaker of the House of Representatives, State Governors and Chief Judge of the Federation. The amnesty was to take effect from 6 August 2009.

RESPONSE TO THE AMNESTY DEAL

43. The Militants Union of Niger Delta responded to the Federal Government Amnesty by requesting the federal government to adopt a 10 year master plan (Niger Delta Development Plan). They requested for the commencement of the implementation to be immediate. They suggested the following to constitute the arrangement:

- a. All season roads built with materials suitable to the Niger Delta terrain should be constructed across the region to link all geographically isolated communities.
- b. Complementarily, improved water transportation should be provided including the provisions of pontoons to serve islands and geographically isolated communities in the region.
- c. Good and safe drinking water systems with central and sub-central reservoirs, treatment and purification facilities should be provided to serve communities across the region.
- d. Better and well quipped primary and secondary schools should be provided, while existing ones should be rehabilitated. Agricultural, medical and technological oriented universities should be established in relevant states in the region. The Petroleum Training Institute, Effurun should be well equipped and up graded.
- e. Federal Teaching hospitals should be established in Bayelsa, Delta and Akwa Ibom States respectively.
- f. Appropriate and efficient irrigation systems should be established to enable all season farming to take place in the region.
- g. Until internationally certified okay, and environmental impact assessment study of River Niger is done; the river should not be dredged in a hurry.
- h. Modern telecommunication facilities should be provided to link communities in the region with other parts of the world.
- i. Compensation for and rehabilitation of persons displaced as a result of current conflicts in the region and also oil and gas related accidents in the region should be addressed with the urgency it deserves. Specifically, relief materials should be supplied to the victims of Jesse fire disaster and other refugees of current conflicts.
- j. Adequate scholarship and overseas training should be provided for the indigenes of the region. In fact, all students of tertiary institutions from the region should be granted automatic scholarship.
- k. Basic health facilities including cottage and general hospitals should be established, equipped and staffed to serve the health needs of the people of the region.
- l. Polluted lands and abandoned oil wells should be cleaned up and restored for sustainable use.

- m. An independent commission of inquiry should be set up to hear, assess and determine claims arising from spillage and environmental pollution.
- n. Existing seaports in Port Harcourt, Sapele, Calabar, Burutu and Koko should be made viable and to enjoy special concession to attract merchant ships, exporters and importers. Cross River should be dredged to attract ocean-going vessels.
- o. Air and seaports should be established in Bayelsa and Akwa Ibom States.
- p. Government should as a matter of urgency initiate the process of developing a 10-year Master Plan for the Niger Delta. Implementation of the Plan should commence within the first year of the re-inauguration of the Niger Delta Development Commission.
- q. A fishing terminal and a refinery each should be established in Bayelsa, Akwa Ibom and Delta states where shrimps are now produced to promote exports.
- r. The oil companies should adjust their previous approach of providing modern facilities for their workers only, while neglecting their host communities.
- s. Reforestation in timber, rubber, palm oil and kernels should commence as a matter of urgency in Edo, Delta, Cross River and Akwa Ibom States.

44. Most of the above mentioned conditions were accepted by the Federal Government and were segmented into short, medium and long term projects.

ACCEPTANCE OF THE AMNESTY

45. The President, Commander-in-Chief of the Armed Forces of Nigeria, Alhaji Musa Yar'Adua, while receiving one of the militant leaders Ateke Tom, that accepted amnesty deal on 1 October 2009, stated that *“the other thing is to look at the problems that caused the agitations in the Niger Delta in the first place. These are problems that have been well known for a very long time. We will not just say you dropped your arms and so go, no. Come we will sit down and see what are the problems that have made you to take up arms against your state; then you will say these are the problems, we work out the solution together with you, then we go ahead to implement and then you also participate in implementing the solutions to these problems. That is the essence of this amnesty.”* The President stated further, *“amnesty is not an end in itself but a means to an end. It is a means to peacefully and lovingly with brotherly understanding bring to an end all insurrection and misunderstanding between brothers. It is a means to bringing stability, peace and security to the Niger Delta region. We will work together to ensure that youths in the Niger Delta*

have a meaningful life through the kind of programme we will evolve, train them, help them to establish businesses, those who want to further their education to whatever level to help them to do that to ensure that each and every one of them has a career and life to be proud of and that he would stand to be proud of himself, his family and his country and he would be proud that he is Nigerian.”

ACHIEVEMENTS OF THE AMNESTY

46. If recent events are anything to go by, it seems that peace is beginning to return to the troubled Niger Delta region. At least, for now, the guns are silent. A good number of them are being surrendered at various collection centres. It is noteworthy that the amnesty kicked off on the day President Umaru Yar’Adua inaugurated the new board of the Niger Delta Development Commission (NDDC). This is significant because the interventionist agency has a crucial role to play in ensuring that the gains of the amnesty are sustained.

47. The President expressed implicit confidence on the ability of the NDDC which is the flagship of the central government’s intervention in the region. So far, the commission has initiated over 2,760 projects of the 185 local governments in the region. Out of these, over 1,250 have been completed while others are at various stages of completion. In recent times, the NDDC has been going into partnerships with other key players in the region with a view to building robust capacities to confront the daunting development challenges in the Niger Delta. One of such partnership is that between the commission and Shell Petroleum Development Company (SPDC) in the construction of the Ogbia-Nembe Road. The 29-kilometre road being built at a cost of N9.6 billion, illustrates the kind of challenges confronting the Niger Delta. It cuts through the swamps with 9 bridges and 99 culverts.

48. The state and local governments in the region are expected to join the NDDC in executing projects that truly touch the lives of the people. All agencies of the development in the area must buy into the faithful implementation of the Master Plan. Unless the Federal Government sincerely drives the rapid development of the Niger Delta, the objectives of the amnesty would be defeated. With the amnesty deal being thoroughly implemented, it is expected that the construction works in the region can now go without the interferences from the militants. Other achievements of the Federal Government’s amnesty to the militants include:

- a. **Enhancement of National Security.** So far the Federal Government recovered more than 700 arms, 17 gun boats and 280,000 rounds of mix ammo ranging from AK47 Sub machine guns, bombs,

heavy duty brand guns and lar riffles at the end of the Amnesty period. This alone has a serious security threat not only in the Niger Delta region but also to the nation at large.

b. **Creation of Job Opportunities.** Joblessness among Nigerian youths calls for serious attention. The increased cases of kidnappings in the country originated from the Niger Delta and the South East. From all indications, the precarious situation In the Niger Delta has been compounded by an army of unemployed youths. Some of these restive youths may have been forced into militancy and criminality for survival. Bringing them back to the path of rectitude would therefore require providing them with jobs. The Niger Delta Development Commission (NDDC) appreciated this fact earlier and has since been organizing skill acquisition trainings in different fields.

c. **Realization of the Projected Oil Revenue.** The amnesty programme may have started yielding fruit as Nigeria's oil production has reached a record of 2.4 million barrels per day (mbd) against 1.2 mbpd in July 2009 before the amnesty, as the Managing Director of the Nigerian National Petroleum Cooperation (NNPC), commented on the post amnesty period. However, the country is making tremendous progress in the international gas market as the Soku Gas Plant has resumed operation after two years of inactivity. In the same vein the Federal Government approved 10 per cent equity for oil producing communities which would significantly impact on the lives of the people of the Niger Delta and give them a sense of belonging.

d. **Encouragement of Foreign Investors.** As peace has fully returned to Niger Delta, the ex-militants have surrendered their weapons. This has encouraged the return of foreign investors. Also business opportunities in the general area have started picking up.

e. **Enabling Environment for the Development of Niger Delta Region.** The Federal government kicked off its post-amnesty development projects in the Niger Delta region with the first public signing and endorsement of contracts for the building of the Federal Oil and Gas Polytechnic in Bayelsa State valued at N14.6 billion with indigenous contractors. On 28 October, 2009, the Federal Executive Council approved the award of several contracts for the comprehensive infrastructural development of the Niger Delta region as a consequence of the post-amnesty implementation programme. All these are possible as a result of the amnesty deal.

f. **Debunks Extremists' View on Nigeria Breaking-Up.**

Stakeholders admitted that President Umaru Musa Yar'Adua's granting of amnesty to ex-militant in the Niger Delta region has no doubt saved the country from another civil war. This statement was made at the Post Amnesty Summit organized by the Centre for Alternative Policy Perspective and Strategy (CAPPS) in conjunction with the Bayelsa State Government on 4 Nov 09 in Kaduna.

g. **Proves that Nigeria Can Solve Her Problems Without External Interferences.**

The Federal Government Amnesty has given a platform for addressing the Nigeria's problems within itself and without external interferences. The response to the amnesty call by the militants is quite commendable. The militants have gone a step further to accept being part of the security arrangements for the oil firms and to cooperate fully with the federal government to bring lasting peace in the region and Nigeria at large.

CHALLENGES

49. When President Umaru Musa Yar'Adua had on June 25, 2009 proclaimed the state pardon for the Niger Delta militants, many political watchers saw the drives as mere failure and nothing more. Though the amnesty deal commenced officially on 6 August 2009, when many amnesty centres were opened in the Niger Delta States for militants to come out from their camps in the creeks to register and bring out their sophisticated arms and ammunitions. Some groups in the Niger Delta region still believe that the amnesty offer will not solve the problems of the region.

50. Niger-Delta region is the combination of Isokos, Yorubas, Urhobos, Ijaws, Itsekiris, Kalabaris, Delta Igbos and others. Over 95% of crude oil and gas are from Niger-Delta region, yet no infrastructural development could be traced to that effect. Though some acclaimed militants surrendered their weapons to allow amnesty deal to work, some groups still disagreed with President Musa Yar'Adua that those submitting their arms and ammunition are not real militants but mere deceivers whose egocentric mindsets are traced to the so called amnesty offer of 50billion Naira.

51. Farming in Niger-Delta region has become useless as a result of oil spillages. The major occupations of Niger –Delta region are fishing and farming, yet the people have not been fully compensated over the years. There are no physical and economic developments in the region. It is also important for the Federal Government to consider the rate of oil bunkering, kidnappings and other criminal activities in the region.

THE WAY FORWARD

52. The resolution of the conflict is a distractive activity that deserved special attention. As a result of increasing devastation of the environment of Niger Delta region, it is imperative that effort to resolving a violent conflict in Niger Delta should be based on the aspiration and needs of the people. Genuine conflict resolution effort in Niger Delta can be achieved by popular participation on issues concerning the region, equitable distribution of resources, environmental sustainability and free flow of information. Popular participation/public cooperation is perhaps the most important condition for the success of conflict resolution. It encapsulates the decentralization of planning and a dynamic force that makes almost all things possible. However, to achieve permanent conflict resolution development there is need to seek for popular participation of the people (Niger Delta) and the only way to do that is to make the Niger Delta people part and parcel of the planning process and should be involved in the formulation and implementation of the plan that affects them.

53. Equitable distribution of resources is among the focal points of conflict in Niger Delta. However, in order to resolve the conflict in Niger Delta permanently, the issue of equitable distribution of resources must be given considerable attention. The Government and the oil companies should plough back their excess revenue and profits into the human resources development, infrastructural amenities and establish industries (agro-based/cottage which will help in providing gainful employment for the grass-root people of Niger Delta, and also, government should come up with a clear-cut employment policy that encourages adoption of labour-intensive techniques to an extent, so as to absorb more labour. Furthermore, government should encourage small scale enterprises by providing micro credit scheme, technical training and raw materials for craft skill acquisition, since this can provide gainful employment for the people. Thereby, making them to be violent free and protect the system.

54. Notwithstanding the contribution of the oil sector to the Nigerian economy, for there to be a permanent conflict resolution in Niger Delta, oil and gas activities in the region must be regulated to make them more environmentally friendly. Thus, the following policies and strategies should be adopted:

- a. Strict environmental standards for air, land and water pollution be enforced. The environmental protection agency should be strengthened for this task. An attempt should be made to mainstream environmental concerns in national economic policies. This will promote visibility and sustainability of environmental policies.

b. Equitable distribution of resources and balanced development are essential for a rapid development of the economy because the progress of the entire economy depends on the development of all regions in keeping with their factor endowments. As has been observed that the progress of the entire economy will be reflected in the pace of growth realized by various regions that made up the country and in turn, rapid development of resources in the different regions would contribute towards accelerating the rate of development for the nation as a whole.

c. Also, as it has been argued, for there to be a meaningful development action, a comprehension of the institutional conditions in which the action will take place should be a priority. All the stakeholders should forget about the past and lay a solid foundation for the future generation by embracing options (such as negotiation, consultation, mediation and conciliation) for positive peace which revolve around addressing the issue of poverty, environmental devastation, political, economic and social injustice, low level literacy, unemployment, amongst others, rather than resorting to violence as a means of championing their case.

CONCLUSION

55. The Niger Delta impasse was most an unfortunate standoff in the political history of the Nigerian nation. The wanton loss of life and property would have been averted if all stake-holders had embraced dialogues with utmost sense of sincerity. The nation makes meaningful strides in developmental processes through the destruction of its infrastructure and human resources. The amnesty deal should be handled with truth and a determination to move the country forward so that we do not find ourselves going back to *square zero*.

SELF ASSESMENT QUESTIONS

- a. Identify the states comprising the Niger Delta region.
- b. Mention two major cause of the conflict in the Niger Delta region.
- c. Cite a few steps taken by the Federal Government to control the conflicts.
- d. Enumerate the amnesty packages put in place by the Federal Government.
- e. List five advantages of the amnesty deal.

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PART ELEVEN

GENERATING ELECTRICITY FOR THE ACTUALIZATION OF NIGERIA'S VISION 20:2020; REVIEW OF THE JOURNEY SO FAR

INTRODUCTION

56. The President, Commander-in-Chief of the Armed Forces of the Federal Republic of Nigeria, Alhaji Umaru Musa Yar'adua had during the inauguration of the National Council of Nigeria's vision 2020 stated that the main goal of vision 2020 "is to develop Nigeria to be among the 20th largest economies by the year 2020 so that the country would be able to consolidate its leadership role in Africa and established itself as a significant player in the global economic and political arena". Hence, there will be need for infrastructural reforms in the Power and Energy sector in order to give the country adequate supply of power to ensure Nigeria's ability to develop as a modern economy and an industrial nation.

TRAINING OBJECTIVES

57. By the end of this part, the candidate would be able to:
- a. Understand the importance of power to the economy.
 - b. Discuss government plans on the power sector towards vision 20:2020.
 - c. Explain the review of the journey so far in the power sector.

HISTORICAL BACKGROUND

58. First to come under the searchlight of President Yar'adua's government was the energy sector. He said that on assumption of office, he will declare a state of emergency in the power sector which he described as a failed sector that is fundamentally slowing down the nation's economic progress. Also, Yinusa, the

President of Business Club, Ikeja, identified epileptic power supply as one of the strongest variables in the factors militating against the manufacturing sector.

The energy sector is crucial for the achievement of the objectives of vision 2020. The power sector is characterized by low generating capacity relative to installed capacity. Currently, electricity generation is in the region of about 3,000 Mega Watts (MW), while the current estimated national consumption need is not less than 25,000 MW. The potential demand for electricity in Nigeria has been estimated at 100,000 MW”.

To enter into the league of the top 20 economies – a much publicised goal of the government – Nigeria must be able to meet the average power capacity of 10,000 KWh per capita of these top economies.

The President recalled that at the inception of the current civilian dispensation in the year 1999 the former President raised the genuine hopes and yearnings of the average Nigerian when he said: “on my honour, by the end of 2001, Nigeria would begin to enjoy regular and uninterrupted power supply”.

In fact, the power and energy sector has been agenda number one on the list of Nigerian governments for a long time. However, between \$5 – 16million has been spent on power in the last ten years. In 1999, the peak power output in Nigeria was about 3,000 MW. Ten years later, Nigeria’s peak power output is about 3,400 MW. Large scale power generation and transmission costs \$1,000/KW (or \$1 million/MW). This implies that the average \$10 billion supposedly spent so far on power should have gotten Nigeria an additional 10,000 MW.

IMPORTANCE OF POWER TO THE ECONOMY

59. The role of power in national development is so fundamental that it is futile to talk about development without simultaneously considering the energy

requirements that will facilitate that development. Power fires the engine room of the economy.

In order to understand the nexus of power and economic growth, Malcom E. Fabiyi decided to make a research on the relationship between power and output or (Gross Domestic Product, GDP) of various economies. Hence, he decided to select for the analysis a collection of countries that included advanced economies like the USA, Japan and Australia; transition economies like Malaysia, Indonesia, and Libya; the upper developing countries like India, China, Egypt and Morocco; and finally developing countries like Nigeria, Ethiopia and Ghana. Fabiyi's research shows that there is a strong correlation between economic growth and availability of power when he started to work the numbers e.g. a plot of GDP against the available power (in Kwh) in these various countries giving an impressive straight line plot suggesting that there was a correlation between power and economic growth. The analysis suggested that an average of this nations (including Nigeria) are able to generate economic output of about \$3 per installed Kwh.

Moreover, energy is the engine that drives industrialization which improves communication, helps innovation in science and technology, provides healthcare delivery system, and improves citizen's standard of living. A sound energy creates jobs even in unexpected sectors.

PROBLEMS FACING THE POWER SECTOR

60. In the evolution and development of electricity industry in Nigeria, the section on electricity traces the causes of the poor performance of the industry, the section categorizes the issues and challenges into the following:

- a. **Technology related:** inadequate electricity production and supply infrastructure, inadequate gas supply, dearth of investment and funding,

inappropriate pricing, management and ownership and conflicting goals and objectives; and

b. **Reform related:** inappropriate implementation and co-ordination of the initiatives and government programmes, inappropriate industrial structure, ineffective regulation.

c. Failure to provide adequate and reliable electricity justifies the evolution of initiatives to transform the industry.

d. The activities of militants in the Niger Delta contributed to the low generation of electricity.

There are two enduring challenges that need to be addressed if the power sector is to advance. These are the problems of sabotage and insufficient generation and transmission assets. It will be naïve to imagine that there are no subterranean forces that are conspiring to keep the power sector comatose. Why would anyone want to keep such a critical sector as energy comatose? The answer is simple. It would be for the same reasons that numerous Nigerian regimes have conspired to stultify local refining capacity so that they could make money from importing petroleum imports; it would be for the same reason that Nigerian tax officials accepted \$2million bribes from Halliburton while allowing the firm to repatriate tens of millions of dollars that should have been paid to the Nigerian government.

Earlier in 2008, the then Minister of State for Power, Mrs. Balaraba Ibrahim announced that in the ten (10) days between February 17 and 27th unknown vandals “cut down with a saw”, two (2) 330KVA towers supplying power to Oyo, Ogun, Ondo, Osun, Ekiti and Lagos States. The threat of sabotage is therefore not a merely theoretical one. It is real.

Motivations for sabotage:

61. What group of people would have an interest in sabotaging the power infrastructure in Nigeria? We can conceive of four (4) distinct groups who might have sufficient motivation to sabotage the power sector for their own ends. These groups are generator distributors, oil marketers, power sector contractors and the governmental (political) players who award power sector contracts and finally disgruntled workers in the power sector:

a. Diesel marketers (\$10billion per year incentive for sabotage):

Nigerians use about 4,500 million liters of diesel per annum on private power generation. At a fully loaded cost (including subsidies) of about N250/liter, this implies that marketers pull in revenues of about \$9.3 billion per annum or N1.1 trillion. If the power sector becomes stable, diesel marketers will suddenly find their revenues lower by \$9.3 billion annually.

b. Generator Distributors (\$64billion per year incentive for sabotage):

Given the fact that the efficiency of power generation from diesel is about 2.5Kwh/liter of diesel, it can be estimated that there is an installed generator base of 11billion KWh per annum which translates to an output of 1,300MW. Assuming single residence generator cost about \$250/KVA on average, it implies that the installed generator base is worth about \$320 million. With generators needing replacement every five years or so, annual generator sales of at least \$64million or N7.6 billion is estimated in Nigeria.

c. Governmental corruption (\$1billion per year incentive for sabotage):

Power is the biggest racket in Nigeria. The recent power probe by the House of Representatives and the unending drama and theatrics that it engendered provide a glimpse of the issues that the nation faces in this sector. Despite all the controversies about how much was spent or not spent, there is

widespread agreement that somewhere between \$5-16billion have been spent in the last 6 years alone. Yet, the nation has nothing to show for it. On average about \$1billion is spent on the power sector annually. All these monies are handled by a tight clique of contractors, politicians and their civil servant collaborators.

d. Disgruntled Civil Servants in the Power Sector: Workers in the power sector have long kicked against attempts at deregulation and privatizing the sector, The Nigerian Tribune of June 8th 2008 reported that PHCN workers had vowed to sabotage government's efforts in the power sector. It is not clear what the exact benefits are that the PHCN would get if the power sector completely collapsed, hence the idea that they are primarily responsible for the problems in the sector is suspect.

There is therefore a plethora of players who would have some interest in sabotaging the power sector in Nigeria, ranging from the oil marketers who make over \$9 billion a year in diesel sales, to politicians, civil servants and contractors in the power arena who have access to over \$1billion a year to spend on the power sector. Then of course there are also generator distributors whose annual sales of about \$60 million will be impacted. Finally, there are the workers in the power sector who feel short changed by government's programs in the sector.

GOVERNMENT'S CURRENT PLANS

62. While there is still some confusion regarding what Nigeria's power sector strategy is, the list below summarises the various targets that have been bandied around by the government and its agencies as the power generation goals that they have in sight.

- a. 6,000MW German Power Pact: This is expected to inject 6,000MW into the national power grid by 2013. This agreement was entered into by the Federal Government and a team of German firms.
- b. 6,500MW Oil Producers Power Production: The Oil Producers Trade Section of the Lagos Chamber of Commerce and Industry has announced that plans were on going to inject 6,500 MW into the grid before 2010.
- c. 4,500MW IPP Power Contribution: IPPs are expected to contribute about 4,500MW by 2010.

CHARTING A WAY FORWARD

Decentralized Power Solutions

63. Decentralised power generation might be the solution to Nigeria's chronic power problem. Rather than engaging in grand, nation-wide efforts that have led us nowhere in the last 3 decades, it might be time to consider targeting more localized solutions. The advantages of localized or decentralized power solutions are many. Firstly, the development of the necessary equipment and tools are more readily achieved. The systems are smaller and more manageable. Secondly, the problem of transmission is more readily solved. With the current centralized power approach, sabotaging a transmission tower effectively cripples the entire network for all the users both downstream and upstream of where the sabotage occurred. As we earlier saw, the sabotage of two 330KVA transmission towers was sufficient to knock 6 states off the grid for days. This would never happen with a decentralized system. Problems are localized, and more importantly, because transmission assets are in population areas, sabotage and vandalism is curtailed.

Financing Power Sector Reform

64. Public Private Partnerships are a good way to go in financing investments in the energy sector. The government does not need to spend a dime in the financing of the decentralized power alternative proposed. There are numerous manufacturers and operators of power generation and transmission plants (such as GE, ABB, etc) who would, given the right investment environment, readily enter into Build-Operate-Transfer (BOT) arrangements where they (the manufacturers) would commit their own funds to manufacture the systems, build and install the supporting infrastructure all at their own cost, provided they are allowed to operate the system for a period (that usually ranges from 10-20 years). At the end of the concession period, the ownership of the equipment reverts to the government. The concessionaires make their money back by charging consumers to who they supply power. All that is required for the government to do in such an environment is to enact the necessary laws and statutes that will guarantee that fee collection is assured, and that the necessary access rights to ensure that the process of putting the necessary generation and transmission infrastructure in place is provided. When the companies that own and operate these assets are the ones responsible for putting the infrastructure in place, it is certain that projects will be delivered in a cost effective and timely manner. Local and State governments need not wait for the Federal Government to implement these solutions.

Addressing the problem of sabotage

65. A commission, similar to the EFCC in the scope of its powers and reach needs to be established to specifically investigate cases of sabotage, proactively identify saboteurs in the power sector, review all transactions and activities in the sector, monitor contracts and agreements, charge violators to court, prosecute their cases, and seek just restitution from all violators. Just restitution should not be limited to only the actual amounts embezzled or the market value

of the damaged or sabotaged items. It should also include the opportunity cost of all the productive effort that was lost because of the unavailability of power resulting from the assets that were sabotaged or not acquired. Just recompense should also cover criminal and civil charges including murder for any known cases where people lost their lives because power outages that resulted from sabotage either caused them to fail to get life saving procedures at hospitals or caused asphyxiation resulting from carbon monoxide inhalation from generator exhausts. These later victims would probably not have had to use a generating set if power was available.

RECOMMENDATIONS

66. The following recommendations, if adopted, will go a long way in enhancing the reformation of the power sector:

- a.** Government must not only focus on power generation, but also on distribution.
- b.** Hydro, thermal and solar sources of energy generation should also be exploited.
- c.** Communal policing of power lines, grids and equipment to prevent theft and vandalism need to be exploited.
- d.** Significant deregulation of the power sector needs to be pursued.
- e.** Deregulation/privatization model used in the telecoms sector from 2001 with significant improvement should be employed in the power sector.
- f.** States should be encouraged to venture into energy generation.

- g.** The 20 companies issued licenses by the National Electricity Regulatory Commission (NERC) to build power plants under the Independent Power Projects (IPP) programme should be given early deadlines to meet targets.
- h.** More licenses should be given to interested investors, and non-performing ones cancelled.
- i.** Gas as an alternative industrial energy source should be taken seriously and incentives given to interested developers.
- j.** Public-private partnerships are a good way to go in financing investments in the energy sector.
- k.** A commission should be established to specifically address the problem in the power and energy sector.

CONCLUSION

67. Energy is the engine that drives industrialization, which improves communication, helps innovation in science and technology, provides healthcare delivery system and improves citizens' standard of living. Adequate and sustained energy provision indirectly creates jobs even in unexpected sectors.

Finally, to enter into the league of the top 20 economies by the year 2020 – a much publicized goal of the government – Nigeria must be able to equal the average power capacity of 10,000 KWh per capita of these economies.

SELF ASSESSMENT QUESTIONS

- a. What is the correlation between generation of electricity and vision 2020 of this present administration?

- b. How many Mega Watts of electricity is being generated, and how many is being targeted to meet up the goal of vision 2020?
- c. Enumerate four problems facing the power and energy sector.
- d. What are the solutions to the problems of the power and energy sector.

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PART TWELVE

**DEREGULATION OF THE OIL SECTOR:
IMPLICATIONS FOR THE NATIONAL ECONOMY**

INTRODUCTION

68. A group that was comprised of British, German and Dutch Engineers arrived Oloibiri in the present Bayelsa state in 1953 to explore crude oil. After about 3 years of search, they struck crude oil in June 1956; thus, marking the beginning of its exploitation in Nigeria.

69. In 1971, Nigeria joined the Organization of Petroleum Exporting Countries (OPEC) which was created in Baghdad (Iraq) in 1960. Founding members of this organization were Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. These 5 states were later joined by 8 other Countries: Qatar (1961), Indonesia (1962), Libya (1962), United Arab Emirates (1967), Algeria (1969), Nigeria (1971), Ecuador (1973) and Gabon (1975). Ecuador and Gabon withdrew from the organization in 1992 and 1994 respectively. The purpose of OPEC, as with any cartel, is to limit supplies in the hope of keeping prices high.

70. The regulation of the downstream sector of the petroleum industry has been the sole prerogative of the Federal Government; with the belief that it is the only way Nigerians could derive maximum benefits. To this end, government decides how and who to market the products, number of refineries to be built, where they should be sited and who should oversee their operations. Government also decides who to be given licenses for importation of refined products.

71. The overbearing influence of the Federal Government in the regulation of the oil industry or at best the downstream sector has brought its attendant problems to bear on the Nigerian people and the economy at large. Some of these

problems include inefficient pricing structure, rent seeking, smuggling leakages, high distribution and storage cost, excessive dependence on import supply and demand imbalances leading to shortages/benefits to smugglers. Other problems have to do with massive corruption in the system and inefficient refineries. This led to the clamour for total deregulation of the downstream sector of the petroleum industry.

TRAINING OBJECTIVES

72. At the end of this part, candidates would be able to:
- a. Give a brief history of crude oil discovery in Nigeria
 - b. Discuss Oil deregulation as a proposed Federal Government policy.
 - c. Identify problems associated with regulating the oil sector by the Federal Government
 - d. Appreciate the need for deregulation of the oil sector of the economy.

DEFINITION OF TERMS

73. a. **Crude oil:** Mixture of comparatively volatile liquid hydrocarbons (Compounds composed mainly of Hydrogen and Carbon with some Nitrogen, Sulfur and Oxygen) that occurs in the Earth's crust and is extracted for use as fuel and various petroleum products.
- b. **Exploration:** The investigation of the Earth for scientific, commercial or military purposes.
- c. **OPEC :** Organization of Petroleum Exporting Countries ; is a cartel of twelve countries made up of Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi-Arabia, the United Arab Emirates and Venezuela.

- d. **Cartel :** Association of independent firms or individuals for the purpose of exerting some form of restrictive or monopolistic influence on the production or sale of a commodity or group of commodities. The most common arrangements are aimed at regulating prices or output or dividing up markets.
- e. **Downstream sector:** Means value added operations that involve processing of Crude oil and gas into Petroleum products for marketing.
- f. **Deregulation:** According to Longman's Oxford dictionary of contemporary English deregulation means to remove government controls and rules from some types of business activities. It follows that deregulating the oil sector refers to removal of subsidy.
- g. **Supply and Demand:** In Economics, relationship between the quantity that producers wish to sell at various prices and the quantity of a commodity that consumers wish to buy.

APPRAISAL OF THE DEREGULATION OF THE OIL SECTOR

74. The discovery of Crude oil in post independence Nigeria has without doubt, brought success and perhaps some challenges into the Nigerian economy. Success in the sense that infrastructural development has taken place and challenges because it has weakened traditional institutions and religious virtues among Nigerians who tend to believe that oil wealth is all it takes for global recognition. The attendant problems associated with the regulation of the downstream sector highlighted earlier in the introductory remarks led stakeholders to seek other less problematic approaches to managing the downstream sector. This gave birth to the new idea of deregulating the oil sector so that Government and the people will get maximum benefit from their God-given oil wealth. Deregulation implies leaving the people at the mercy of market forces. It means that government may have no monopoly on oil again. It will

have only marginal control over products pricing as marketers will be at liberty to determine the pump price based on cost of importation. This will lead to variation in the price of products. Petroleum is today being sold at N65 officially owing to the subsidy (and regulation of the pump price) given by the Federal government. But when this subsidy is removed, which invariably means deregulation, the pump price of petroleum and allied products may ultimately rise or fall depending on market forces. From experience, Nigerians have come to accept the fact that once the prices of regulated products go up, they hardly ever come down. The history of fuel price increase could serve as an example. For instance on 1 October 1978 Fuel price changed from 8.45k to 15.3k; 20 April 1982-20k; 31 March 1986-39.5k; 10 April 1988-42k; 1 January 1989-42k and 60k for commercial and private vehicles respectively; 6 March 1991-70k; 8 November 1993-N5.00; 22 November 1993-N3.25k; 2 October 1994-N15.00; 4 Oct 1994-N11.00; 20 Dec 1998-N25.00; 6 Jan 1999-N20.00; 1 Jun 2000-N30.00; 8 Jun 2000-N25.00; 13 Jun 2000-N22.00; 1 Jan 2002-N26.00; 23 Jun 2003-N40.00; and Jun 2007-N70.00, later reduced to N65.00 within same year.

OPPOSITION TO DEREGULATION

75. In the forefront of the campaign against the deregulation policy is the Nigerian Labour Congress (NLC). Arguments being canvassed by the opposition stem from the fact that while genuine deregulation in itself may not be problematic, the method, manner and attitude of the average politician in Government may not favour the ordinary man on the streets. To organized labour, such exercise will only favour the rich at the expense of the majority of Nigerians by bringing untold hardship and poverty to them. The labour unions are also of the opinion that most of such steps taken by successive governments in the past have only ended up in further enriching the privileged minority; while the majority is left pauperized.

IMPLICATIONS OF DEREGULATING THE DOWNSTREAM SECTOR

76. It is a worrisome development that Nigeria which is rated as the 6th largest producer of crude oil in the world still depends largely on importation of refined crude to meet its local consumption needs. Participation of the private sector through setting up of local reliable private refineries could be a crucial factor for successful implementation of the proposed deregulation agenda of the downstream sector of the oil and gas industry. Deregulation will eradicate scarcity of the refined products. In economic terms, if many investors or importers bring in more products, the market is bound to witness flooding, thus leading to fall in prices as supply will outstrip demand. The planned deregulation will paralyze the activities of smugglers across the nation's borders, because petroleum products will be available everywhere and at reasonable rates. The Major Oil Marketers Association of Nigeria (MOMAN), Independent Petroleum Marketers of Nigeria (IPMAN) and Depot and Petroleum Marketers Association (DAPMA) have asserted that government should hands off the control of the oil industry to foster competition. The marketers raised this view during the Lagos Chamber of Commerce and Industry (LCCI 2009) seminar on petroleum downstream sector on 21 Oct 2009.

77. The recent global financial melt-down coupled with fall in price of crude oil at the international market earlier in 2009, took a toll on the government's accrued revenue. This has created the need for a complete deregulation of the petroleum industry especially the downstream sector, with the aim of freeing the huge sums hitherto spent on subsidy for investment in other sectors of the national economy. Deregulation also seems the best option in sanitizing the oil and gas sector. Countries such as Brazil, Canada, Japan, Russia, Singapore and United States of America (USA) have among other nations of the world deregulated one or more sectors of their economy. These include: Oil and gas, Airline services, Electricity, etc. Considering the success recorded in the

telecommunication and aviation sectors via privatization/deregulation, it stands to reason, that benefits abound if the nation's downstream oil sector is equally deregulated.

The Federal government has spent about N2 trillion on fuel subsidies in the past 4 years. If such huge sum is channeled towards rebuilding decayed infrastructure, improving the economy as well as the living standards of people, opposition to the proposed policy will ease. Deregulation will also attract massive investments that have eluded the sector for decades, thus creating employment opportunities for nation's youths. Local and foreign investors will be encouraged to build and maintain more refineries, host communities where oil related industries may be established would witness massive development, and this in turn will help bring an end to agitations and militancy.

CONCLUSION

78. The overbearing influence of the federal government in the regulation of the oil and gas sector has brought its attendant problems to bear on the national economy. From the foregoing it is glaring that the positive effect of deregulation is wholesome and imperative to the socio-economic growth of the economy of Nigeria and the oil industry in particular. From the stand point of Nigeria's economy efficiency, much of the production process, distribution and marketing of petroleum products have been in a state of chaos for a long time.

79. The federal government is deeply concerned about the state of the petroleum sector. To this end government had sought a solution to its problems through the setting up of the Governor Isa Yuguda – led committee which worked with the National Economic management team. More so, a bill referred to as Petroleum Industry Bill (PIB) proposed by the federal government to the National Assembly has been adopted.

SELF ASSESSMENT QUESTIONS

- a. In which year and place was oil first discovered in Nigeria?
- b. What should government do if the downstream sector is deregulated?
- c. What does deregulation and subsidy mean?
- d. Why is organized labour against the proposed deregulation policy?
- e. Identify benefits derivable from Oil deregulation.

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PART THIRTEEN

**THE CENTRAL BANK OF NIGERIA AND THE COMMERCIAL
BANKS: ANALYSIS OF THE EMERGING IMBROGLIOS**

INTRODUCTION

80. The Central Bank of Nigeria (CBN) was established on 01 Jul, 1959 after a draft of legislation was presented to the House of Representatives in March 1958 for implementation. The CBN Act, of 1958 (as amended) and the banking decree 1969 (as amended) constituted the legal framework within which the CBN operates and regulates banks.

81. Decree 24 and 25 of 1991, which repealed the banking decree 1969 and all its amendments were therefore enacted to strengthen and extend the powers of CBN to cover the new institutions in order to enhance the effectiveness of monetary policy, regulation and supervision of banks as well as non banking financial institutions.

82. The emergence of banks especially owned by the local private sector began in the mid-1970s. The financial market in Nigeria since independence has been dominated by foreign and government owned commercial banks. However, deficiencies in financial intermediation provided an opportunity for local private investors to enter financial markets. Between the late 1970s and the mid-1980s, thirteen local banks were set up in Nigeria (mostly with established foreign banks as minority partners). The growth of local banks in Nigeria accelerated tremendously in the second half of the 1980s with seventy commercial and merchant banks established between 1986 and 1991 when the CBN suspended issuing new licenses. Almost all of these were wholly owned by local investors. By the mid-1990s local banks had captured a quarter of the commercial banks market in Nigeria.

TRAINING OBJECTIVES

83. At the end of this part candidates would be able to:
- a. Trace the history of CBN.
 - b. Identify the roles of CBN.
 - c. Identify features of distress in the banking sector.
 - d. Understand reasons behind the consolidation/merger of banks in Nigeria.
 - e. Understand the genesis of the current banking reforms by the apex bank.

DEFINITION OF TERMS

- 84.
- a. Imbroglio - A complicated, confusing or embarrassing situation.
 - b. Apex bank - The top or highest bank of a particular Country that has power to control and regulate other banks.
 - c. Distress - Situation in which bank is in danger or difficulty and needs help.
 - d. Liquidity - The state of owning things of value that can easily be exchanged for cash.
 - e. Deposit - Saving account/money entrusted for safe keeping in a bank.
 - f. Regulatory - Conforming to some standard pattern of proportion.
 - g. Audit - A full check and examination of account books.
 - h. CBN - Central Bank of Nigeria.
 - i. BOFI - Banks and Other Financial Institutions.
 - j. SEC - Securities and Exchange Commission.
 - k. NSE - Nigerian Stock Exchange.
 - l. NASB - Nigerian Accounting Standards Board.
 - m. IFRS - International Financial Reporting Standards.

ROLES OF CENTRAL BANK OF NIGERIA

85. The roles of Central bank of Nigeria are as follows:
- a. Regulating all financial activities of commercial banks.
 - b. Issuing of legal tender.
 - c. Maintaining the external reserves of the Country.
 - d. Promoting monetary stability.
 - e. Provision of sound financial environment.
 - f. Financial adviser to the Federal Government.
 - g. Act as a banker of last resort.

APPRAISAL OF THE BANKING SECTOR IN NIGERIA

86. In recent times, bank failure has been an issue of major concern to government, depositors, bankers and promoters and indeed the public at large. This concern stems primarily from the crucial role banks play in the economy. The concern for the health and survival of banks underscores the importance government attaches to close supervision of banks, with primary objectives of identifying early warning signs of distress in order to minimize the incidence of failure. Regulators and researchers in response to this concern have over the years been engaged in the attempt to evolved reliable set of determinants for the bank's failure. The categorization of a financial organization as a "problem" or "distressed" institution is usually based on CBN's CAMEL rating system. Under this system, the regulatory supervisory authorities assess a bank's performance in five areas namely:

C	=	Capital Adequacy
A	=	Asset Quality
M	=	Management Competence
E	=	Earning Strength and
L	=	Liquidity sufficiency

8. Consolidation of Banks in Nigeria was effected in order to strengthen the competitive and operational capabilities of these banks with a view towards

returning global and public confidence to the Nigerian banking sector and the economy in general. The CBN instituted a series of banking reforms which saw most of the then existing 89 banks merging or collapsing thus, bringing the number to 24. Some economists strongly believe that there is no doubt that Nigerian banks would have fared badly against the effects of the global economic crisis were it not for the consolidation exercise carried out in that sector three years ago.

87. The economic policies (monetary and fiscal) of Nigeria have always changed at such a pace that both players and observers were at a time confused leading some to apportion more than a fair share of the blame for our economic woes on unfavorable government policies. Looking at most of our policies, one can point to four levels of deficiency in them. These levels are:

- a. Wrong timing in policy changes.
- b. Lack of internal linkage for the existing economic base.
- c. Improper coordination of policy initiatives.
- d. The human factor in policy implementation.

With all these, some harsh policies have inflicted many damages on the system most especially the sensitive banking sector.

88. The uncertainty generated as a result of distress in banking sector if left unchecked will often raise real interest rates, create higher costs of transaction and disrupt the payment mechanism with the attendant economic consequences. The extent and depth of the banking distress can be of generalized nature or systemic. Generalized distress exists when its occurrence is spreading fast and cuts across banks in terms of the ratio of total deposits of distressed institutions to total deposits of the industry. The ratio of total assets of distressed institutions to total branches of the industry among others has not adversely affected the confidence of the public in the banking system. The problem may become systemic and of serious concern to the relevant supervisory/regulatory authorities when its prevalence and the contagious effects become endemic and pose threats to the stability of the entire system.

89. It was against this background that the Central bank of Nigeria, acting within the laws – the CBN act as well as the Banks and Other Financial Institutions Act (BOFIA) swiftly intervened after due consultation with the higher authority to rescue some banks that exhibited liquidity strain syndrome. Subsequently, the intervention became a subject of interpretation by internal and external auditors of banks as well as regulatory organs such as the Securities and Exchange Commission (SEC), the Nigerian Stock Exchange (NSE), the Nigerian Accounting Standards Board (NASB) and International Financial Reporting Standards (IFRS).

90. The recent sack of the CEOs of five banks on 14 Aug 2009 was done for the sake of the nation. In justifying the sack of the chief executives, the CBN Governor said an examination of their books revealed a loan portfolio of about N2.8 trillion out of which margin loans and exposure to oil and gas sector constituted N456.2 billion and N487 billion, respectively. Their aggregate non performing loans was put at N1.14 trillion, representing 40.8 per cent of the total non-performing loan portfolio.

91. In all, the five banks posted non performing loan of N746.19 billion. The apex bank has injected N420 billion into the ailing banks to help stabilize their operations. The CBN Governor had found the bank directors guilty of jeopardizing the interests of their depositors and creditors through poor corporate governance practices. According to the CBN Governor, “some of these banks are quite large institutions and they have been mismanaged, so we had to move in to send a strong signal that such recklessness on the part of bank executives will no longer be tolerated.”

FEATURES OF DISTRESS IN THE BANKING SECTOR

92. In recent times, instability in the finance and banking sector has arisen from institutional failures. In Nigeria, the lesson of the earlier bank failures appeared to have been forgotten as distress swept the banking sector and systemic distress gripped the finance house sub-sector. Banking distress, therefore, occurs when a bank or banks in the system experience illiquidity or insolvency resulting in a situation where depositors fear the loss of their deposits and a consequent break down of contractual obligations. A bank is said

to be illiquid when it can no longer meet its liabilities as they mature for payment, it is said to be insolvent when the values of its realizable assets is less than the total value of its liabilities. These could lead to a run on the bank or banks as depositors lose confidence in the system and seek to avoid capital loss. Some of the features of distress bank are as follows:

- a. Gross under-capitalization in relation to the level of operation.
- b. High level of classified loans and advances.
- c. Liquidity reflected in the inability to meet customer's cash withdrawals.
- d. Low earnings resulting from huge operational losses.
- e. Weak management as reflected by poor credit quality, inadequate internal control, high rate of frauds, forgeries and labour turn over.
- f. Large volume of non-performing assets.
- g. Persistent liquidity deficiency.
- h. Accumulated losses, which erodes shareholder's base.
- i. The bank will in most cases require financing assistance from regulatory authorities.

The interplay of these features as explained above, are likely to cause distress in the banking sector. Comparative analysis has revealed that all the failed banks exhibited one or more of these characteristics.

GENESIS OF THE CURRENT BANKING SECTOR REFORM **BY THE APEX BANK**

93. The CBNs intervention in the banks is essential to building a sound financial sector that can promote long term growth and development following the discovery of many lapses in some banks which include the loan delinquency, undercapitalization, systematic liquidity shortfalls and mismanagement of their bank's deposits. More so, some of the banks led their banks to award bad loans to the tune of N780 billion as some of the officials of the affected banks contravened the general banking laws. All these put together necessitate the current banks reform by the CBN in order to streamline the lapses discovered for the survival of the banking sector and for reforming Nigeria's corporate image with the view of attracting foreign investors.

CONCLUSION

94. The challenge for banks in these tough times is how to remain profitable and safe. At the same time experts know that effective risk management will ensure safety, while good business strategies will ensure profitability. More so, strict adherence to the code of corporate governance for bankers and prompt adherence to ethics will help in making the banking sector to remain stronger and stable.

95. The impact of distress in the banking sector on the Nigeria economy is enormous and its effects could be seen in virtually all sectors of the national economy. This impact has serious implications for the financial system and by extension the economy. However, to forestall the reoccurrence of this malaise, the CBN should continue to develop capacities to govern the fiscal and monetary policy framework that will drive growth in the economy. It is also important that the industry regulators continue to monitor banks in the areas of good corporate governance, prudential guidelines and compliance with other specific regulatory policies guiding their operations.

SELF ASSESSMENT QUESTIONS

- a. In which year was CBN established and by which Act?
- b. When did banks owned by the local private sector emerge in Nigeria?
- c. Under which categorization do the regulatory supervisory authorities assess banks performance?
- d. The reduction from 89 banks to 24 was effected for what reasons?

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