

#### NATIONAL OPEN UNIVERSITY OF NIGERIA

#### SCHOOL OF MANAGEMENT SCIENCES

COURSE CODE: MPA 842

COURSE TITLE: POLICY ANALYSIS AND IMPLEMENTATION

MPA 842 COURSE GUIDE

# **COURSE GUIDE MPA842 POLICY ANALYSIS AND IMPLEMENTATION Course Team** Martha Oruku (Course Writer) - NOUN Abdullahi, Mohammed Yamma (Course Developer) - Nasarawa State University

MPA 842 COURSE GUIDE



#### **NATIONAL OPEN UNIVERSITY OF NIGERIA**

National Open University of Nigeria Headquarters 14/16 Ahmadu Bello Way Victoria Island, Lagos

Abuja Office 5, Dar es Salaam Street Off Aminu Kano Crescent Wuse II, Abuja

e-mail: centralinfo@nou.edu.ng

URL: www.nou.edu.ng

Published by National Open University of Nigeria

First Printed 2007

Reprinted 2013

ISBN: 978-058-232-0

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MPA 842 COURSE GUIDE

CONTENTS	PAGE
Introductioniv	
Course Aims iv	
Course Objectives	iv
Working through this Course	iv
Course Materials	V
Study Units v	
Textbooks and References	vi
Assignment File	vi
Assessment vi	
Tutor-Marked Assignments	vi
Final Examination and Grading	vii
Course Marking Scheme	vii
How to Get the Most from this Course	vii
Facilitators/Tutors and Tutorials	viii
Summary	ix

#### INTRODUCTION

This course is a two credit unit course consisting of 15 units. It is a one-semester, core course for students taking a masters degree in public administration. Each unit is to be covered in two hours. The course has five modules and 15 units. This course guide gives you an idea of what to expect, as you study this course. Tutor-marked assignments are provided at the end of each unit.

#### **COURSE AIMS**

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

- concepts of public policy and policy analysis
- different methods and approaches in policy analysis
- models of policy-making techniques and tools of policy analysis.

#### **COURSE OBJECTIVES**

The main objectives of this course are given in each unit. However, at the end of this course, you should be able to:

- explain public policy and policy analysis
- describe models, theories, approaches, tools and techniques of public policy
- highlight problems encountered in policy implementation and evaluation process.

#### **WORKING THROUGH THIS COURSE**

To complete this course, you are required to read the study units, read recommended books and read other materials provide by the National Open University of Nigeria (NOUN). Most of the units contain self-assessment exercises; you are required to submit assignments for assessment purposes. At the end of this course, there is a final examination. Stated below, are the components of the course and what you are expected to do.

#### **COURSE MATERIALS**

The major components of the course are:

- 1. Course guide
- 2. Study units
- Textbooks
- 4. Assignment file
- 5. Presentation schedule

#### **STUDY UNITS**

There are 15 units in this course. They are as follows.

Module 1	Policy Conception and Characteristics

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

**Approaches** 

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

- Unit 1 The Dependent and Independent Variables
  Unit 2 The Qualitative and Quantitative Approaches
- Unit 3 System and Elite Theories

#### Module 3 Theories of Policy Making

- Unit 1 Institutional and Group Theories
- Unit 2 Models of Policy Making
- Unit 3 The Policy Process

#### **Module 4 Modules of Policy Process**

- Unit 1 Actors in Policy Analysis
- Unit 2 System Analysis, Cost Benefit Analysis and Cost

Effectiveness

#### Module 5

Unit 1 \_\_\_\_\_Management by Objectives (MBO) and Planning-Programme Budgeting System (PPBS)

Unit 2 Game Theory and Zero-Based Budgeting, Decision Analysis and Decision Tree
Unit 3 Critical Path Method (CPM), Programme Evaluation and Review Technique (PERT) and the Delphi Method
Unit 4 A Case Study of Nigeria's Industrial Policy

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

#### **TEXTBOOKS AND REFERENCES**

There are also textbooks, listed under the references' section, and other resources for further reading. They are meant to give you additional information if only you can lay your hands on any of them. You are advised to practice the self-assessment exercises and tutor-marked assignment questions for greater understanding of the course. By so doing, the stated learning objectives of the course will be achieved.

#### **ASSIGNMENT FILE**

There are two aspects to the assignment of this course. In this file, you will find all the details of the work you must submit to your course facilitator for marking. The marks you obtain for these assignments will count towards the final mark you obtain for this course. There are many assignments for this course, with each unit having at least one assignment. These assignments are basically meant to assist you to understand the course.

#### **ASSESSMENT**

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

- tutor-marked assignment
- final examination.

You should note that the *SAEs* are not part of your formal assessments but it is important to complete all of them.

#### **TUTOR-MARKED ASSIGNMENT**

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

You can write the assignment by using materials from your study units and from textbooks or other sources. However, it is preferable that as graduate students, you should demonstrate evidence of wide reading - something to show that you have researched more widely. You must remember that copying from any source without acknowledgement is plagiarism, and it is not acceptable. References must be properly written, if you use other people's work. The assignments are, in most cases, easy questions. Examples from your own experience or environment are relevant when you answer such questions. This allows you to apply theory to real life situations.

#### FINAL EXAMINATION AND GRADING

At the end of the course, you will write the final examination. It will attract the remaining 70%. This makes the total final score to be 100%.

#### **COURSE MARKING SCHEME**

Assessment	Marks		
Assignments	Best three marks of the assignments @ 10% each (on the average) = 30% of course marks		
Final examination	70% of overall course marks.		
Total	100% of course marks		

#### HOW TO GET THE MOST FROM THIS COURSE

In distance learning, the study units replace the lecturer. There is the advantage of reading and working through the course material at the pace that suits the learner best. You are advised to think of it as reading the lecture as against listening to the lecturer. The study units provide exercises for you to do at appropriate periods instead of receiving exercises in the class.

Each unit has common features which are designed, purposely, to facilitate your reading. The first feature being an introduction to the

unit, the manner in which each unit is integrated with other units and the entire course. The second feature is a set of learning objectives. These objectives should guide your study. After completing the unit, you should go back and check whether you have achieved the objectives or not. The next feature is self- assessment exercises, study questions which are found throughout each unit. The exercises are designed basically to help you recall what you have studied and to assess your learning by yourself. You should do each self assessment exercise and the study question as you come to each in the study unit. The next features are conclusion and summary at the end of each unit. These help you to recall all the main topics discussed in the main content of each unit. There are also tutor-marked assignments at the end of appropriate units. Working on these questions will help you to achieve the objectives of the unit and to prepare for the assignments which you will submit and the final examination.

It should take you above one hour-thereabouts, to complete a study unit, including the exercises and assignments. Upon completion of the first unit, you are advised to note the length of time it took you, and then use this information to draw up a timetable to guide your study of the remaining units. The margins on either sides of each page are meant for you to make notes on main ideas or key points for your usage when revising the course. These features are for your usage to significantly increase your chances of passing the course.

#### **FACILITATORS/TUTORS AND TUTORIALS**

There are many ways of learning as an open distant learner. You learn when you interact with the content in your course material just as a student interacts with the teacher in a conventional institution. You also learn when you are guided through the course. Though you are not taught the course, your course material is however your teacher; and as such, you will not be able to get answers to any questions which may arise from your study of the material. For this reason, apart from the course material which you have received, the delivery of this course is aided by tutorial, facilitation and counselling support services. These services are not compulsory but you are encouraged to, maximally, take advantage of them.

A number of hours have been scheduled for this course, and they form a part of your learning process; you also have an opportunity to receive face-to-face interaction with your informal facilitator and to receive answers to questions or classifications which you may have. Also, you may contact your tutorial facilitator by telephone or e-mail. As an open and distant learner, you are expected to prepare ahead of time by studying relevant study units, write your questions so as to gain maximum benefit from tutorial sessions. Information about the location and time schedule for facilitation will be available at your study centre.

Note that tutorial sessions are flexible arrangements between you and your tutorial facilitator. You will need to contact your study centre to arrange the time schedule for the sessions. You will also need to obtain your tutorial facilitator's phone number and e-mail address. Tutorial sessions are optional, however; participating in them provides tremendous benefits because they provide a forum for interaction and group discussions which will maximise the isolation you may experience as an open and distant learner. Your tutorial facilitator guides you by doing the following things.

- i. Providing answers to your questions during tutorial sessions on phone or by e-mail
- ii. Coordinating group discussions
- iii. Providing feedback on your assignments
- iv. Posing questions to confirm learning outcomes
- v. Coordinating, marking and recording your assignments/examination score(s)
- vi. Monitoring your progress.

English language is the language of instruction for this course. The course material is available both in print and on CD. It is also on the National Open University if Nigeria website. However, on your part, you are to prepare ahead of time by studying and writing your questions so as to maximally benefit from facilitation.

Information about the location and time of facilitation will be available at your study course. This is a flexible arrangement between you and your tutorial facilitator. You should contact your tutorial facilitator whenever:

- i. you do not understand any part of the study unit
- ii. you have difficulty with the self assessment exercises
- iii. you have a question or a problem with an assignment, or your tutorial facilitator's comments on an assignment or with the grading of an assignment.

#### **SUMMARY**

This course exposes you to theories, methods, models and approaches in public policy analysis. A case study of national industrial policy is cited to further explain policy implementation process in Nigeria. The course will boost your understanding of public policy issues.

#### MAIN COURSE

CONTENT	'S P	PAGE
Module 1	Policy Conception and Characteristics	1
Unit 1 Unit 2 Unit 3	The Concept and Field of Public Policy Analysis The Uses and Types of Public Policies The Prescriptive, Descriptive, Micro and Macro Approaches	1 5
Module 2	Methods and Approaches in Policy Analysis	14
Unit 1 Unit 2 Unit 3	The Dependent and Independent Variables The Qualitative and Quantitative Approaches System and Elite Theories	14 17 20
Module 3	Theories of Policy Making	24
Unit 1 Unit 2 Unit 3	Institutional and Group Theories	24 28 33
Module 4	Modules of Policy Process	38
Unit 1 Unit 2	Actors in Policy Analysis	
Module 5		47
Unit 1	Management by Objectives (MBO) and Planning-Programme Budgeting System (PPBS)	47
Unit 2	Game Theory and Zero Base Budgeting and Decision Analysis and Decision Tree	51
Unit 3	Critical Path Method (CPM), Programme Evaluation and Review Technique (PERT) and The Delphi Method	55
Unit 4	A Case Study of Nigeria's Industrial Policy	61

### MODULE 1 POLICY CONCEPTION AND CHARACTERISTICS

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

# UNIT 1 THE CONCEPT AND FIELD OF PUBLIC POLICY ANALYSIS

#### **CONTENTS**

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

#### 1.0 INTRODUCTION

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

#### 2.0 OBJECTIVES

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

- define public policy
- state the features of public policy
- explain policy analysis.

#### 3.0 MAIN CONTENT

#### 3.1 Definition of Public Policy

A policy can refer to the proposal of a programmed, major decision or the refusal to make certain decisions (Sharkanskv, 1978). In other words, policy is simply actions taken or to be taken by government or private organisation (Ikelegbe, 1996). A policy option made by an individual is known as "private policy" because it affects the person alone, and no any other person (Olaniyi, 1998:13). Another school of thought opines that:

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

Chandlier and Plano (1988:107) defines public policy "as the strategic use of resources to alleviate problems or government concerns." Similarly, Dimock et al. (1983:40) describes public policy as deciding at any time or place, what objectives and substantive measures should be chosen in order to deal with a particular problem issue or innovation. It also includes the reasons they should be chosen.

#### SELF-ASSESSMENT EXERCISE

#### Define public policy.

#### 3.2 The Features of Public Policy

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

Secondly, polices are proposed courses of actions or projected set of decisions. Policies are prospective or are statements of future actions. Policies states what is going to be done or would be done. It outlines a course of contemplated or desired action in relation to certain desired objects or events in the real world. Thirdly, a policy is

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

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

Finally, a policy is a course setting action. It provides the **direction**, the guide and the way to the achievement of certain goals. It provides the frame within, which present and future actions are undertaken. It is a major guideline for action (Ikelegbe, 1996:2-3).

#### 3.3 The Meaning of Policy Analysis

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

Similarly, Chandler and Plano view policy analysis as an attempt to determine organisational effectiveness, through an evaluation of the qualitative impact of a programme. They further opine that:

Policy analysis is a systematic and data based alternative to intuitive judgments about the effects of policy or policy options. It is used (1) for problems assessment and monitoring, (2) as a "before the fact" decision tool, and (3) for evaluation (Olaniyi: 1998:17).

Furthermore, Roberts and Edwards (1991:98) argue that policy analysis is the study of the formation, implementation and evaluation of public policy, the values of policy makers and environment of the policy-making system and the cost of policy alternatives. Finally, policy analysis may be used, on a secondary level, as a term to describe the detailed examination of a particular policy-making system at any and/or all the stages of policy-making process.

#### SELF-ASSESSMENT EXERCISE

What is policy analysis?

#### 4.0 CONCLUSION

The study of public policy analysis is necessary to all citizens for better understanding of government decisions and programmes.

#### 5.0 SUMMARY

The unit has examined public policy and its characteristics. In addition, the meaning of policy analysis was also analysed to enhance your understanding of the concept.

#### 6.0 TUTOR-MARKED ASSIGNMENT

Public policies are more than decision-making. Discuss.

#### 7.0 REFERENCES/FURTHER READING

- Barrett, S. & Fudge, C. (nd.). *Policy and Action Essays on the Implementation of Public Policy*. (Eds). London and New York: Methuen.
- Chandler, R.C. & Plano, J.C. (1988). *The Public Administration Dictionary*. England: ABC-CL 10.
- Dimock, M.E., et al. (1983). Public Administration. New York: Saunders College Publishing.
- Ikelegbe, A.O. (1996). *Public Policy Making and Analysis*. Benin City: URI Publishing Ltd.
- Olaniyi, J.O. (1998). Foundations of Public Policy Analysis. Ibadan: SUNAD Publishers Limited.
- Roberts, G. & Edwards, A. (1991). *A Dictionary of Political Analysis*. London: Edward Arnold.
- Shafritz, J.M. (1986). The Dictionary of American Government and Politics. New York.

Sharkansky, I. (1978). *Public Administration Policy-making in Government Agencies*. Chicago: Rand McNally College Publishing Company.

#### UNIT 2 THE USES AND TYPES OF PUBLIC POLICIES

#### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Uses of Public Policies
  - 3.2 Types of Public Policies
    - 3.2.1 Distributive Policies
    - 3.2.2 Regulatory Policies
    - 3.2.3 Redistributive Policies
    - 3.2.4 Fundamental Policies
    - 3.2.5 Major Policies
    - 3.2.6 Functional Policies
    - 3.2.7 Mega Policy
    - 3.2.8 Meta Policy
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

#### 1.0 INTRODUCTION

Public policy analysis can be said to derive its importance and relevance in its contribution to the determination, study and assessment of public problems, policy making, policy performance, impact evaluation, policy prediction and advocacy, policy forecast, prediction and anticipation (Ikelegbe: 1996:8). Public policies have been classified on the basis of several criteria. This unit discusses uses and types of public policies.

#### 2.0 OBJECTIVES

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

- state the uses of public policies
- identify types of public policies
- differentiate between redistribute and fundamental policies
- explain major, functional, mega and meta policies.

#### 3.0 MAIN CONTENT

#### 3.1 The Uses of Public Policy Analysis

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

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

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

#### SELF-ASSESSMENT EXERCISE

Mention three uses of public policy analysis.

#### 3.2 Types of Public Policies

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

#### 3.2.1 Distributive Policies

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

seek required favours, they do not often oppose or interfere with favours to others. Examples of distributive policies are those that relate to public land, tariff, etc.

#### 3.2.2 Regulatory Policies

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

#### 3.2.3 Redistributive Policies

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

#### 3.2.4 Fundamental Policies

These are policies derived from the constitution; hence, they are based on constitutional provisions or judicial interpretations of the constitution. Such policies can only be changed or abolished by constitutional amendment and are characterised by large size, high importance and long tenure.

#### SELF-ASSESSMENT EXERCISE

What is a redistributive policy?

#### 3.2.5 Major Policies

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

#### 3.2.6 Functional Policies

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

#### 3.2.7 Mega Policy

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

#### 3.2.8 Meta Policy

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

#### 4.0 CONCLUSION

The analyses of uses and types of public policies, in this unit, have educated you more on public policy analysis. The essence is to make you a good public policy analyst.

#### 5.0 SUMMARY

In this unit, you were exposed to the uses and types of public policies. The types of public policies discussed in this unit are distributive, regulatory, redistributive, fundamental, major, functional, mega and meta policies.

#### 6.0 TUTOR-MARKED ASSIGNMENT

Differentiate between mega and meta policies.

#### 7.0 REFERENCES/FURTHER READING

- Dror, Y. (1973). *Public Policy Making Re-Examined*. London: Leonard Hill Book.
- Dye, I. (1978). *Understanding Public Policy*. Englewood Cliff: N.J. Prentice Hall Inc.
- Ikelegbe, A.O. (1996). *Public Policy Making and Analysis*. Benin City: URI Publishing Ltd.
- McKinney, B. & Howard, L.C. (1979). *Public Administration, Balancing Power and Accountability*. U.S. Oak Park: Illinois Moore Publishing Company Inc.
- Theodore, L. (1964). "American Business Public: Policy, Case Studies and Political Theory". *World Politics. Vol XVI. No.4.*

# UNIT 3 THE PRESCRIPTIVE, DESCRIPTIVE, MICRO AND MACRO APPROACHES IN POLICY ANALYSIS

#### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 The Prescriptive Approach
  - 3.2 The Descriptive Approach
  - 3.3 Micro Approach
  - 3.4 Macro Approach
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

#### 1.0 INTRODUCTION

Several approached are used in the study of public policy analysis. In this unit, you are exposed to prescriptive, descriptive, micro and macro approaches, to begin with. This will enable you understand their meanings and characteristics.

#### 2.0 OBJECTIVES

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

- explain the prescriptive approach and the descriptive approach
- differentiate between micro approach and the macro approach.

#### 3.0 MAIN CONTENT

#### 3.1 The Prescriptive Approach

The prescriptive approach, basically, is the generation of information and analysis directed at better policy making and performance. It proffers policy options or alternatives, solution and strategies- based on analysed data which could emanate from the social and policy problems, social indicators, evaluation of existing or past programmes and projects. There are four characteristics of prescriptive approach; these are considered below.

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

- ii. Prescriptive approach is goal and problem oriented. It is directed at specific problems, and the goal is to proffer solutions and advice.
- iii. It is tended to be more client-oriented. The emphasis is on the practice and relevance of public policy analysis to real life and societal needs.

#### 3.2 The Descriptive Approach

Descriptive studies describe and explain public policies. The focus of research is on history, development, causes, implementation, consequences and problems of public policies. Descriptive studies also focus on the description of the national and state policy process and individual policy or policy sector processes. The characteristics of the descriptive approach are as discussed below.

- i. It is more of academic studies, and the intentions and goals are not informed by the needs of prompts of clients or policy actors.
- ii. Descriptive approach seeks the understanding of policy processes, policy problems and stations. It, particularly, seeks to explain the causes of public policy, the nature and trends of expenditure in policy sectors or areas, and the problems of public policies, among others.
- iii. It is more concerned with the investigations of policy contents implementation, output and impact of particular policies.
- iv. Descriptive approach is evaluator, and therefore, retrospective, and relates the studies of on-going or completed programmes.

#### SELF-ASSESSMENT EXERCISE

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

#### 3.3 Micro Approach

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

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

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

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

#### SELF-ASSESSMENT EXERCISE

Describe the micro approach.

#### 3.4 The Macro Approach

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

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

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

#### 4.0 CONCLUSION

Approaches in the study of public policies are important to enable you understand public policy analysis better. More of them are discussed later on in this study.

#### 5.0 SUMMARY

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

#### 6.0 TUTOR-MARKED ASSIGNMENT

Differentiate between micro and macro approaches.

#### 7.0 REFERENCES/FURTHER READING

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

Robert, G. (1975). "Public Administration and Public Policy: An Analysis of Developmental Phases". In: Spadaro, T. & Dye, T. *et al. The Policy Vacuum.* Lexington: D.C. Health and Co.

## MODULE 2 METHODS AND APPROACHES IN POLICY ANALYSIS

Unit 1	The Dependent and Independent Variables
Unit 2	The Qualitative and Quantitative Approaches
Unit 3	System and Elite Theories

### UNIT 1 THE DEPENDENT AND INDEPENDENT VARIABLES

#### **CONTENTS**

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

#### 1.0 INTRODUCTION

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

#### 2.0 OBJECTIVES

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

- explain dependent variable
- differentiate between dependent and independent variables.

#### 3.0 MAIN CONTENT

#### 3.1 The Dependent Variable

In dependent variable, a policy is regarded as an output of, dominantly, linear policy process. Policy is regarded as the output of demands and support inputs into policies. Therefore, policy is equated as an output dependent on, or determined by the process. Under dependent variable, the content, nature and impact of policies are determined by the nature of the policy process. The policy analyst's aim is to explain policy in

relation to the policy process. Hence, the study of any given policy becomes that of inquiry into the determination of demands, the interest groups that articulate them, the channels or government structures through which the demands were processed, the input of the legislature, executive and bureaucracy in the policy formation and enactment and the agencies responsible for its implementation among others.

#### SELF-ASSESSMENT EXERCISE

Describe the dependent variable approach in public Analysis.

#### 3.2 The Independent Variable

The independent approach attempts to understand, explain the policy process and the entire political process through the study of policies. The nature of the policy made is related to the entire policy and political process such that the interactions and relationship between them and the effects or impacts of policy on the policy and political process area examined. The nature, goals, contents and characteristics are studied. The focus is directed to the relationship between the policy, the political system and the environment.

The essence is to know the ways in which the policy affects or is affected by the political system and the environment either structurally or in terms of activities. The knowledge and understanding of the policy and its interactions, becomes and aid in the understanding and explaining of the nature of the policy process, the administrative agencies, the relevant public and wider environment. The major area of study in independent variable is impact analysis while the focus is on the effect of the policy on the real world.

It seeks to investigate the consequences of the policy on the target group, other groups, the political and policy process, the structures of implementation and others both in the immediate sense and in the future. Independent variable directs attention to the independent study of policy. In particular, it directs attention to the interaction between the policy and political process and the environment. Independent variable enables a broad focus and perspective in policy studies (Ikelegbe, 1996: 26-27).

#### SELF-ASSESSMENT EXERCISE

What is independent variable in Public Policy Analysis?

#### 4.0 CONCLUSION

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

#### 5.0 SUMMARY

This unit exposes you to dependent and independent variables in the study of public policy analysis. Basic characteristics or the two variables were discussed. You are being introduced to the variables systematically to enable you have an easy understanding.

#### 6.0 TUTOR-MARKED ASSIGNMENT

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

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

#### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content3.1 The Qualitative Approach
  - 3.2 The Quantitative Approach
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

#### 1.0 INTRODUCTION

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

#### 2.0 OBJECTIVES

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

- explain the qualitative approaches to the study of public policy analysis
- discuss the qualitative approaches to analysing data of public policy issues.

#### 3.0 MAIN CONTENT

#### 3.1 The Qualitative Approaches

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

Qualitative analysis relies on both quantitative data such as documents, records, content analysis of media sources, interviews and observations. However, major goal of qualitative approach is the presentation of finding in descriptory form; and the methodology is therefore not rigorously quantitative.

These study have considerable value in polices analysis, particularly, in accounting for or describing policy relevant incidents, backgrounds and other information. Furthermore, they enable better understanding of the policy issues, problems and programmes, because they present considerable information which assist in explaining relevant phenomena, as well as background for policy formation and recommendations (Ikelegbe, 1996:28).

#### SELF-ASSESSMENT EXERCISE

Describe qualitative approach to the study of public policy analysis

#### 3.2 The Quantitative Approach

The quantitative approach in policy analysis relies on quantitative data and techniques in terms of - source, method, analysis and presentation. It emphasises quantitative techniques as the method of analysis of its data and findings. The statistical techniques used vary from sample percentages, tests of associations and time series to very rigorous techniques as complex regression. These statistical techniques help the researcher in inducting relationships and differences between variables and policy related phenomena. Percentages, tabulations and histograms constitute some of the very simple techniques in use; test of association and correlations constitute more complex techniques. Some of these tests- such as time series analysis and linear regression are very important in policy analysis and evaluations.

Time series analysis is very important in measuring policy differences, impact and other correlates in political/geographical units at various time intervals. The analysis helps provide periodic evaluations, estimates of change or difference and in comparison. The test is also important in this direction, particularly, in terms of estimating differences.

Regression analysis is commonly used in policy analysis. Linear regression is, particularly, useful in evaluation- useful in providing linear extrapolations of pre-policy values, thus, enhancing comparisons with actual policy values. These are several techniques and models for determining causality in policy analysis, such as recursive path estimation analysis.

#### SELF-ASSESSMENT EXERCISE

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

#### 4.0 CONCLUSION

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

#### 5.0 SUMMARY

This unit has considered the qualitative and quantitative approaches in the studies of public policy analysis. Their techniques are, moderately, analysed.

#### 6.0 TUTOR-MARKED ASSIGNMENT

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

#### 7.0 REFERENCES/FURTHER READING

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#### UNIT 3 SYSTEM AND ELITE THEORY

#### **CONTENTS**

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

#### 1.0 INTRODUCTION

Historically, the system theory has its origin rooted in biological sciences. The control and guiding concept in the general system theory is the concept of "systems". Systems are, generally, relationship inclined; or better still, they can be a whole which is composed of many parts. It emphasises relationships and not individuals. Elite theory is also considered here.

#### 2.0 OBJECTIVES

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

- explain the three elements that guide the understanding of system theory
- discuss the elite theory.

#### 3.0 MAIN CONTENT

#### 3.1 The System Theory

The system theory sees policy as an output of the political system. The output itself is concerned as the result of various environmental variables acted upon by the political system. The system theory of policy making is based on the Estonian frame work for the analysis of political systems. The theory conceives of political activities as, essentially, involving the environment, the political system and output. The environment consists of the objective condition and forces that generate demand and support inputs. Support consist the adherence to law or positive orientations, which promote the political system such as loyalty and patriotism. Demands are the articulated needs, problems and

articulated needs, problems and aspirations which are brought to bear upon the political system. The political system consists of the institutions, process and personnel of government. The political systems acts as the processors of inputs into outputs, which are authoritative allocations or outputs are the public policies. Public policies are, therefore, the reaction of the political system to environmental elemental demands and pressures (Ikelegbe, 1996:3, 20).

#### SELF-ASSESSMENT EXERCISE

What is system theory?

#### 3.2 Easton's Model of System Analysis

David Easton, in (1953), popularised the system theory in political studies. In relation to human society, any political system is made up of several sub-groups performing different functions; and it is a combination of these functions that keep the entire system moving (Olaniyi, 1995:71). David Easton's system theory can be explained as a two-way traffic between the governor and the governed. It is graphically presented in figure 3.1.

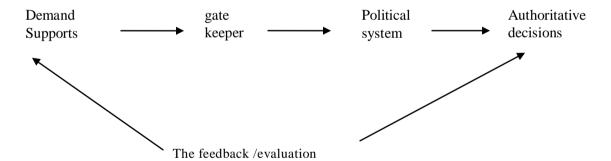


Fig. 3.1: Schema for Easton's System Theory Source: Hagene and Harrop (1982:12)

The political system takes inputs from society- consisting of demands for particular policies and expression of support for the regime, and converts into output authoritative policies and decisions. These outputs then give feedback to the society, so as to affect the next circle of outputs. Outputs are what governments actually do, or the service rendered. The degree of successes of government policy is tested through feedback. Therefore, policy option cannot be taken for granted, it must be tested, measured, analysed and improved, if its performance is to be improved (olaniyi, 1998:59). Naturally, people tend to support government when their needs are met and withdraw supports when the reverse is the case. The relationship between inputs and outputs is very

vital. Without input, the system cannot work, and without outputs, it cannot identify the work done by a system. However, it is only the demands which cannot be resolved privately that need authoritative decision or matter for serious political decision.

#### SELF-ASSESSMENT EXERCISE

What are the inputs and outputs in system theory?

#### 3.3 Elite Theory

The elite theory populates that public policy reflects the values and preferences of the elite, rather than demands of the masses. It is the elite that make policies, while administrators and public official carry out the elite's policy decisions. Since the elite have common interest in the preservation of societal status quo, policies are bound to be conservative, non-invocative and marginal, rather than those with bold and high change potentials.

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

The masses of the population are, on the other hand, unorganised, passive and uninformed. The masses are not organised for concerted political action, and caught in their own milieu, have fragmented perception, are politically incompetent and inert, lack political initiative, innovation, interest and knowledge concerning political activity and displays a psychological need for guidance and direction. The masses have relatively little influence or control over public policy or even over the elites. Public policy, therefore seldom reflects their interests and preferences.

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

#### 4.0 CONCLUSION

In this unit, you have been made to be aware that, historically, the system theory has its origin rooted in biological sciences. The control and guiding concept in the general system theory is the concept of "systems". On the other hand, the elite theory populates that public policy reflects the values and preferences of the elite, rather than demands of the masses.

#### **50 SUMMARY**

This exposed you to the system theory, the elite theory and Easton's model of system analysis. The system theory is, essentially, a whole unit parts (subsystems), each performing its functions for the overall effectiveness of the system.

#### 6.0 TUTOR-MARKED ASSIGNMENT

How relevant is system theory to public policy making?

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#### MODULE 3 THEORIES OF POLICY MAKING

Unit 1	Institutional	and Gro	oup Theories

- Unit 2 Models of Policy Making
- Unit 3 The Policy Process

#### UNIT 1 INSTITUTIONAL AND GROUP THEORIES

#### CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 The Institutional Approach
  - 3.2 The Group Theory
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

#### 1.0 INTRODUCTION

Both institutional approach and group theory approach to the study of public policy analysis are considered in this unit. You will know their relevance to public policy analysis, after you have read this unit.

#### 2.0 OBJECTIVES

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

- explain the institutional approach to the study of public policy
- discuss group theory.

#### 3.0 MAIN CONTENT

#### 3.1 The Institutional Approach

The relevance of the institutional approach to the study of public policy analysis was popularised by Dye in 1972. It focuses on the formal institutions of government - legislature, executive and judiciary, while less importance is attached to organisations such as pressure groups or the mass media or to the wide social context within which government operates.

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

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

#### SELF-ASSESSMENT EXERCISE

Describe institutional approach to the study of public policy analysis.

#### 3.2 The Group Theory

Let us start by defining a group. A group can be defined a collection of individuals who have some characteristics in common and interact with some frequency on the basis of their shared interest (Truman, 1971:23). Harry (1963:391) opines that politics is the process by which social values are authoritatively allocated and this is done by decisions. The decisions are produced by activities, and each activity is not something separate from every other, but masses of activity have common tendencies, in regard to decision. These masses of activity are groups, so the struggle between groups or interests determines what decision are made.

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

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

ends or means of group objectives and interests.

Interest groups focus their attention on the bargaining, compromises, coalitions and other activities that take place within the institutions of government among various groups and interests. To ensure their influence, the groups maintain access to the key points of decision making in governmental institutions of government among various groups and interests. To ensure their influence, the groups maintain access to the key points of decision making in governmental instructions such as the legislative committees, the executive, administration and even the judiciary.

The influence of any groups depends on its leadership, organisation, resources and strategy position. The group activities generate conflicts and controversies. However, these are prevented from causing serious instability or systemic breakdown because of the presence of multiple and overlapping group memberships, competing groups, potential interest groups and unorganised interests.

#### SELF-ASSESSMENT EXERCISE

Define the group theory.

#### 4.0 CONCLUSION

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

#### 5.0 SUMMARY

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

#### 6.0 TUTOR-MARKED ASSIGNMENT

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

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#### UNIT 2 MODELS OF POLICY MAKING

#### **CONTENTS**

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

#### 1.0 INTRODUCTION

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

#### 2.0 OBJECTIVES

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

- explain the rational-comprehensive model
- describe the incremental model, satisfying model, and the mixed scanning model
- discuss organisational process and political bargaining models.

#### 30 MAIN CONTENT

#### 3.1 The Rational-Comprehensive Model

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

- 1. classification of values
- 2. means-ends analysis
- 3. choice of most appropriate means to achieve desired ends
- 4. comprehensive analysis
- 5. analysis that is theory based (Lindblow, 1959:79).

The rational-comprehensive analysis defines the problem, develops alternatives solutions, places values on the consequences of various alternatives, assesses the probability that they will occur, and makes a decision based on logical rules. The model attempts to serve the ideal contained in Max Weber's view of bureaucracy in which decisions are on impersonal rules and techniques. It also draws, heavily, on the economists' vision of how a rational "economic man" should make decision.

In addition, it relies on rational decision-making models developed by mathematicians and psychologists (Olaniyi, 1998:64). The rational-comprehensive analysis assumes a static situation in which relevant conditions do not change and no new information becomes available during the time period of analysis and decision (Chandler and Plano, 1988:131).

#### 3.2 The Incremental Model

The incremental model was postulated by Robert Dahl and Charles Lindblown as a reaction to the constraints of the rational model. The model abandons economic rationality as impossible and instead posits that decision makers only consider limited values, limited goals, limited alternatives and only realistic solution to the desired goal. It involves successive and limited comparisons. The goal is not the one time, radical, bold and major solution to societal problems, but marginal or incremental polices or changes. According to Lindblown (1959:135), policy-making incremental proceed in chronological series, made and remade endlessly, a succession of incremental changes, building out from the current situations, step by step and in small degree.

Therefore, decision makers do not review the whole range of societal values and problems and the whole range of policy alternatives and their consequences nor calculate, cost and weigh each set of values and alternatives. Mann (1975:158) gave summary of the incremental model as consisting of marginal calculation, consideration of limited alternatives, adjustment of goals to means, consideration of limited consequences, reconstructive treatment of data and remedial orientation

of policies.

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

#### SELF-ASSESSMENT EXERCISE

Briefly explain the rational -comprehensive model.

#### 3.3 The Satisfying Model

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

#### 3.4 The Mixed-Scanning Model

The mixed-scanning model is a reaction to both rational and incremental models. According to Etzioni (1967:27) - who is a scholar on this model, none of the two models is, completely, satisfactory in explaining, predicting and guiding decision-making. He, therefore, postulates that the right kind of analysis is a kind of mixed-scanning, which is a mixture of both rational and incremental models depending on the problem, the need and the situation. Thus, in circumstances requiring fundamental decisions, the rational model can be used; while the incremental model will be used in situations requiring incremental policies.

#### SELF-ASSESSMENT EXERCISE

What is incremental model?

## 3.5 The Organisational Process and Political Bargaining Models

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

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

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

#### 4.0 CONCLUSION

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

#### 5.0 SUMMARY

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

#### 6.0 TUTOR-MARKED ASSIGNMENT

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

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#### UNIT 3 THE POLICY PROCESS

#### **CONTENTS**

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

#### 1.0 INTRODUCTION

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

#### 2.0 OBJECTIVES

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

- explain models of policy process
- highlight stages in the policy making.

#### 3.0 MAIN CONTENT

#### 3.1 Model of the Policy Process

The policy process could be examined in general, several or specific terms. At the general level, it relates the pattern of activities, interactions, procedures and methods of making policies at the level of international organisations and state; at the sectoral level, for example, you can talk of health policy process

or defense policy process. In specific terms, the process of a particular policy can also be isolated and examined. However, the processes of policies may differ as a result of the context; conditions, the persons involved and manner by which the policies are made. Furthermore, the processes may even be unique by virtue of precedence, choice, tradition and peculiar characteristics to states governments and even policy sectors.

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

#### 3.2 Stages in the Policy Making Process

The policy process consists of policy generation, formulation, policy output, implementation, performance and impact. Let us consider this now.

#### a. Policy generation and agenda

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

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

#### SELF-ASSESSMENT EXERCISE

What is a policy process?

#### b. Policy formation and formulation

Policy formation consists of the policy-making structures and interactions- which in the case of the political system are the institutions and structures of government such as the legislative bodies, the executives, judiciary, bureaucracy and the officials of ruing political parties. The policy formulation system acts on the expectations demands and interests generated by the environment and take certain actions. The actions are policies. The policy may be backed by funds and personnel or it may be merely a symbolic response.

In other words, policy formation refers to the identification of the policy problem, the development and analysis of policy alternatives and the choice or selection of an alternative and the choice or selection of an alternative, which is then the policy. It is all the activities that go in before the policy is declared. Policy formation refers to the development of relevant policy in relation to public problems and to the proposition, consideration and enactment of the policy. This refers, specifically, to the consideration of policy alternative, the recommendation of a policy enactment by legislative bodies of the policy proposal.

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

#### c. Policy implementation, performance and impact

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

Policy performance refers to how well a policy is doing in relation to

intended purposes, objectives target and intended accomplishments. It relates to whether intended services have been delivered, intended outcome or other desired and state is achieved, or whether the target problem or situation has experienced the desired changes. Performance answers the question of how the policy has fared in its interaction with the environment. The degree of achievement of the aforementioned aspects, determines the level of performance.

Performance encompasses effectiveness and efficiency. While effectiveness refers to the level of attainment or realisation of programme goal, efficiency relates the input or resources invested to the results obtained. An efficient programme is one that achieves a high output with minimum input. Policy impact refers to the consequences of public policy in the environment. It can be defined as the measurable changes in the social or physical environment that the policy programme was designed to produce (Dye, 1972:312). It can also be described as the effect of a policy on real world conditions.

#### SELF-ASSESSMENT EXERCISE

Describe policy formation and policy formulation.

#### d. Policy outcome, output and evaluation

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

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

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

#### 4.0 CONCLUSION

This unit has exposed you to the stages and models of policy process. This is to further enhance your understanding of the policy making process.

#### 5.0 SUMMARY

This unit has considered policy generation, agenda, formation, formulation, implementation, performance, impact outcome, output and evaluation. You should review them, regularly, for better understating.

#### 6.0 TUTOR-MARKED ASSIGNMENT

How can you differentiate policy outcome from policy output?

#### 7.0 REFERENCES/FURTHER READING

- Alan, S. & Gregory (1980). *Performance Administration*. Lexington: D.C. Health & Co.
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#### MODULE 4 MODELS OF POLICY PROCESS

Unit 1 Actors in Policy Analysis

Unit 2 System Analysis, Cost-Benefit Analysis and Cost

Effectiveness

#### UNIT 1 ACTORS IN POLICY ANALYSIS

#### **CONTENTS**

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

#### 1.0 INTRODUCTION

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

#### 2.0 OBJECTIVES

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

- state the roles of governmental actors such as the legislature, executive, and the judiciary in relation to policy analysis
- explain the roles of non-governmental actors in policy analysis.

#### 3.0 MAIN CONTENT

#### 3.1 Governmental Actors in the Policy Process

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

#### 3.1.1 The Legislative Bodies

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

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

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

#### 3.1.2 The Executive

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

influence on policy formation is because of its primary and resources in the political process. It provides leadership to the public bureaucracy and manages it to accomplish lows. Moreover, as policy implementation agents, the managers of governmental administration, the executive possess and control enormous funds, facilities and other resources through pronouncements as to the propriety, fairness, legality and constitutionality of laws or proposed laws.

#### 3.1.3 The Judiciary

The judiciary can make laws, kill laws by declaring them null and void and unconstitutional. It can also change the course of policy activities and action, enhance policy choice by tending the weight of legality and propriety to a policy alternative and moderate implementation activity, particularly the conduct and manner of bureaucratic officials and implementation. The judiciary is a moderator, an umpire and mediator of conflicts and judge of propriety in the policy process.

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

#### SELF-ASSESSMENT EXERCISE

Mention government actors in the policy process.

#### 3.1.4 Bureaucracy

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

#### 3.2 Non-Governmental Actors

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

#### 3.2.1 Political Parties

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

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

#### 3.2.2 Interest Groups

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

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

#### SELF-ASSESSMENT EXERCISE

Name the non-governmental actors in the policy process.

#### 3.2.3 The Citizenry

The citizenry are important actors in the policy process. They constitute the human environment of policies, make the demands for public policy and are the beneficiaries of public policies. Citizens influence the policy process through political parties, interest groups, elections and the mass media (Ikelegbe, 1996:89-101).

#### 4.0 CONCLUSION

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

#### 5.0 SUMMARY

The unit considered governmental actors in the policy process; such actors are the legislature, the executive, the judiciary. The unit also focused on the roles of non-governmental actors in the policy process.

#### 6.0 TUTOR-MARKED ASSIGNMENT

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

#### 7.0 REFERENCES/FURTHER READING

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

#### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 System Analysis
  - 3.2 Cost Benefit Analysis
  - 3.3 Cost Effectiveness
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

#### 1.0 INTRODUCTION

There are techniques or tools, which are used in the planning, analysis, evaluation and management of policies and programmes. These tools include systems analysis, cost benefit analysis, cost effectiveness, efficiency, programme effectiveness, management by objective, planning, programming-budgeting system, zero-based budgeting, among others. In this unit, systems analysis, cost benefits analysis, cost benefits analysis and cost effectiveness are discussed, while some others are discussed in subsequent units.

#### 2.0 OBJECTIVES

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

- explain system analysis
- describe cost benefit analysis
- discuss cost effectiveness.

#### 3.0 MAIN CONTENT

#### 3.1 System Analysis

System analysis is an attempt to apply the scientific methods to public problem solving by suing a method that is open, explicit, verifiable and self-correcting, it is therefore described as a qualitative approach to problem solving using analytical methods to identify alternative solution. System analysis, also sometimes called system theory, is a way to dealing with the basic economic problems of how best to use limited resources by specifying degree of effectiveness for the least cost or the greatest effectiveness for a given cost (Olaniyi, 1998:71).

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

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

#### SELF-ASSESSMENT EXERCISE

What is system analysis?

#### 3.3 Cost-benefit Analysis (CBA)

Cost benefit analysis is an analytical technique for analysing decision, policies, programmes and projects. It serves two purposes in public administration and public policy analysis- to determine the most efficient policy or decision alternative. *CBA* helps to determine the policy or decision with the highest social benefit. It is also important for prospective evaluations. A particular project is evaluated to enable decisions on its choice, benefits, level of operation and feasibility.

Secondly, *CBA* is also useful in process and summative evaluation. The analysis, "ex-post", is undertaken after the act to determine the efficiency and performance of a programme or project. The purpose is to determine how the project is doing in relation to objective, resources and net benefits, such that decisions could be taken whether the programme should be terminated or continued or modified. It is useful as an analytical technique for decision making and evaluations. Furthermore, *CBA* involves the systematic examination of all the gusts of a

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

#### SELF-ASSESSMENT EXERCISE

Describe Cost Benefit Analysis (CBA).

#### 3.3 Cost Effectiveness

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

Cost effectiveness requires the clear statements of objectives and output, and the objectives should be operationalised. It also requires the enumeration of alternative for achieving the operationlised objectives. Furthermore, it requires the determination of the costs, benefits and impact of each alternative and the quantification of costs in achieving the stated objectives. The benefits and impact need not be quantified. However, it requires the comparison on alternative in relation to the objectives. The criteria for the choice of an alternative is effectiveness in achieving stated objectives at relatively same or lower projected costs.

The alternative that achieves most, at same cost is preferred. Cost effectiveness is quite suitable and applicable to policy makers and project managers in situations, where the objectives and benefits of a programme accomplishment are fixed and identical and the issue is only the determination of the least cost alternative with highest effectiveness. Cost effectiveness is very useful because of the limited and inadequate resources available to governments and corporations amidst so much problems, demands and needs.

#### 4.0 CONCLUSION

Some tools in policy analysis have been discussed in this unit and more are discussed later on in this study. It is hoped that you will understand the tools, very well, after the subsequent units have been read.

#### 5.0 SUMMARY

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

#### 6.0 TUTOR-MARKED ASSIGNMENT

In what ways can cost effectiveness be a useful technique of policy analysis?

#### 7.0 REFERENCES/FURTHER READING

- Alan, W.S. & Gregory, A.D. (1980). *Performance Administration*. Washington D.C.: Health & Co.
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#### **MODULE 5**

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

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

#### **CONTENTS**

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

#### 1.0 INTRODUCTION

This unit continues with the tools for policy analysis. Management by Objectives (MBO) and Planning - Programme Budgeting Systems (PPBS) are discussed, here. This will further enhance your understanding of techniques or tools of policy analysis.

#### 2.0 OBJECTIVES

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

- explain management by objectives
- discuss Planning Programme Budgeting Systems (PPBS).

#### 30 MAIN CONTENT

#### 3.1 Management by Objectives (MBO)

Management by objectives, often referred to as *MBO*, is a management technique that emphasises establishing and clarifying personnel within the organisational objectives, such that different sets of activities, operations and personnel within the organisation or programme could be directed and managed accordingly. However, *MBO* is not only a technique; it is also a philosophy or belief in subordinate *cum* manager participation in goals setting and management; and co-operation in the joint act of achieving effectiveness.

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

The second stage is budgeting; which consists of resources available to the list of prioritised objectives. Decisions as to which objectives would be given priority in resource allocations are then made. Planning follows this stage. This is the allocation of responsibilities and the design of programmes or actions to attain objectives of varying levels and units of the organisation. The control stage is that of decisions and activities to achieve unit goals. Under *MBO* techniques, managers and units are given autonomy to achieve set objectives in their own spheres.

**MBO** is also characterised by periodic, performance reviews. At unit levels, managers are expected to know accomplishments and initiate modifications, where necessary. Thus, there has to be feedback to the manager and where necessary, to top management. The technique also requires performance reviews at the expiration of each implementation period. A year's performance to the objectives is reviewed by management, and individual contributions are assessed and rewarded; on this basis, rewards are related to achievement. *MBO* can be applied to both private and public organisations (lkelegbe, 1996:52-53).

#### SELF-ASSESSMENT EXERCISE

What is MBO?

#### 3.2 Planning – Programme Budgeting System (PPBS)

It is a policy planning, management and budgeting technique introduced in America, in 1963. In Nigeria, it was first adopted between the 1972-73 financial years. The purpose of *PPBS* is to enhance management of activity through a three pronged integrated system of planning, programming and budgeting, and thus equip management with a better framework for planning the administration of the organisation and its programmes.

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

#### SELF-ASSESSMENT EXERCISE

Describe *PPBS* as a management technique.

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

#### 4.0 CONCLUSION

Both *MBO* and *PPBS* are frameworks for decision-making, budgeting, management and evaluations. Their objectives are to promote efficiency and effectiveness in an organisation.

#### 5.0 SUMMARY

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

#### 6.0 TUTOR-MARKED ASSIGNMENT

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

#### 7.0 REFERENCES/FURTHER READING

- Akinyele, T.A. (1980). "P.P. B.S. in Former Western Nigeria: History, Progress and Problems". In: Balogun, M.J. (Ed.). *Managerial Efficiency in the Public Sector*. Ile-Ife: University Press.
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### UNIT 2 GAME THEORY, ZERO-BASED BUDGETING, DECISION ANALYSIS AND DECISION TREE

#### **CONTENTS**

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

#### 1.0 INTRODUCTION

In this unit, you are introduced to another three tools and techniques in policy analysis. These are game theory, zero-based budgeting and decision analysis and decision tree. This will further improve your understanding of policy analysis.

#### 2.0 OBJECTIVES

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

- Discuss game theory
- explain zero-based budgeting
- discuss decision analysis and decision tree.

#### 3.0 MAIN CONTENT

#### 3.1 Game Theory

Game theory provides a means by which strategic decision are modeled and analysed. Its assumptions are presumed on zero-sum politics the outcomes is dependent on choices made by each of two or more players. The players usually make rational choices as a way of maximising their benefits and minimise their worst possible outcomes. The benefits of various alternatives open to a player are weighed and employment of an optional strategy is referred to, by the game theorist, as rational behaviour. The game theory is useful to policy makers because it encourages thoughtful examination of options before any action is taken, in order to maximise gains and ameliorate the hardship of the target population (Olaniyi, 1998:74).

#### 3.2 Zero-Based Budgeting

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

Zero-based budgeting requires that the present budget should be an entirely new activity and not based on old estimates and activity. The basic assumption of zero-based budgeting is that the entire budget should be built up based on current goals, reasoning, operations, reviews and target accomplishments. This contrasts the traditional budgeting, which is based on increments.

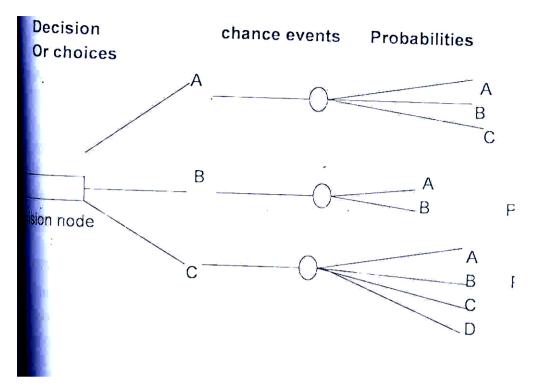
Zero-based budgeting requires every department, programme or unit to justify the expenditure proposed, annually, in respect of goals, programmes or projects, operations and set accomplishment levels. Rather than justify only increases as in traditional budgeting, every proposal must be supported by a rational explanation. Budgeting ceases to be a mere routine, but a comprehensive qualitative and rewarding annual exercise (lkelegbe, 1996:56).

#### SELF-ASSESSMENT EXERCISE

What is game theory in policy analysis?

#### 3.3 Decision Analysis and the Decision Tree

Decision analysis is used by decision makers to address uncertainties, probabilities, value pay-off to simplify and enhance decision-making. Decision tree is a decision-making tool that presents, graphically, the sequence in the decision process, to enable easier understanding, management and choice in decision-making. It is a diagrammatic model and a conceptual framework, which denotes, precisely, the flow or sequence, the structure, stages, tasks, activities and consequences in the decision-making process. It, therefore, enables a summary of essential information on a flow chart, relating to a particular decision problem.



The decision diagram shown in figure 4.1 consists of four components-namely, decision nodes, chance nodes, probabilities and pay offs. A decision node is a square that denotes the point of decision between courses of action; and from the decision node, flow alternative or possible courses of action. Chance events are intervening events or changes that determine the consequence or outcomes of alternative. The chance events are represented by circles in the flow diagram. Chance events actually denote uncertainties they face each course of action. It provides the decision maker the uncertainties to be resolved.

Probabilities are the possible outcomes or results of chance event. The probabilities are calculated, in terms of percent chances of each out come. The probabilities are represented by branches from the circle (chance event) along with percent chances. Pay offs are the result of outcome of each alternative. It is the summary of the consequences of each possible combination of choice and chance. The pay offs are recorded at the end of each branch (alternative) (Stoky and Zeckhanser).

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

#### SELF-ASSESSMENT EXERCISE

Describe zero-based budgeting.

#### 4.0 CONCLUSION

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

#### 5.0 SUMMARY

The game theory, zero-based budgeting and decision analysis and the decision tree are discussed in this unit. The last three tools and techniques are discussed in subsequent units.

#### 6.0 TUTOR-MARKED ASSIGNMENT

Decision analysis is used by the decision maker to address uncertainties, probabilities.

#### 7.0 REFERENCES/FURTHER READING

- Horn, C.V. & Meter, D.V. (1975). The Policy Implementation Process: A Conceptual Framework". *Administration and Society, Vol. 6 No.4.*
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# UNIT 3 CRITICAL PATH METHOD, (CPM) PROGRAMME EVALUATION AND REVIEW TECHNIQUE (PERT) AND THE DELPHI METHOD

#### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Critical Path Method (CPM)
  - 3.2 Programme Evaluation and Review
  - 3.3 The Delphi Method
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

#### 1.0 INTRODUCTION

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

#### 2.0 OBJECTIVES

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

- explain critical path method
- discuss programme evaluation and review technique
- describe the *Delphi* method.

#### 3.0 MAIN CONTENT

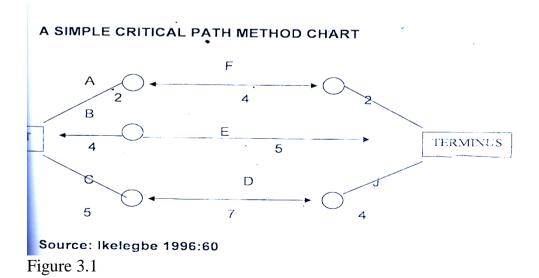
#### 3.1 Critical Path Method (CPM)

CPM is a planning and control technique that is used based on network analysis. It is specifically used in the planning and control of programme/project operations and implementation. The CPM involves the management functions of the determination of what is to be done-such as designing programmes and activities to achieve planning. It also involves the determination of when each activity is best initiated, in relation to optimal achievement of programme activities. Furthermore, it involves the determination of a time frame or projection of completion

times for the activities, events and the entire programme. Lastly, it involves the determination of critical activities and thus a frame of preference for allocation of programme resources and efforts.

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

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



These time computations, lead to the determination for the critical path. First, the computation determine the activities with positive float or

precisely those whose achievement can be shortened or lengthened without affecting the achievement of any other activity or the entire duration of the programme. Secondly, the computations determine the activities with zero float, or which the completion times control the entire programme.

#### SELF-ASSESSMENT EXERCISE

Analyse Critical Path Method (CPM).

#### 3.2 Programme Evaluation and Review Technique (PERT)

PERT is a planning and control technique based on network analysis. Like the CPM, PERT is a technique for planning and organising tasks and activities in relation to programme completion. PERT was developed in the late 1950's. It emerged out of the need to provide techniques for the planning and management of a huge, complicated weapons programme, the Polaris weapons system in the United States. PERT is a flow or diagrammatic model that denotes the tasks of a programme, the events, sequence, expected completion time and variance in completion times of events in a programme. PERT network is design in several stages.

The first is a flow chart, denoting all the events in circles, and the activities or processes with arrows connecting the previous events (statement of activities) with the pointed end, to the next events (completion of activity and thus of event.) The chart also denotes the terminal point, which is the completion of the entire project. The chart is a logical sequence of events and activities and in fact denoted a network of interrelated and interconnected events and activities from programme statement to termination or completion. In the second stage, the expected completion times and variance in the completion times are calculated for each activity. The expected time estimate is the most likely or probable time the event would be completed.

PERT accommodates uncertainties in its analysis, and therefore variance is calculated. The time (te) is calculated using three parameters- the most optimistic, the most likely and the most pessimistic. The formula  $V = 6 - a^2$  where. V is (variance)

(pessimistic estimate) 'a' is optimistic estimate and 6 is a constant. The expected time duration (completion time) and variance is put against each activity. The next stage is the determination of the critical path to programme completion. The procedure here is almost similar to that of the CPM technique. PERT is similar to CPM in several ways. Both are flow charts. Both calculate expected completion times. Both determine

the critical path. In fact, CPM can be subsumed in PERT analysis, because PERT involves CPM.

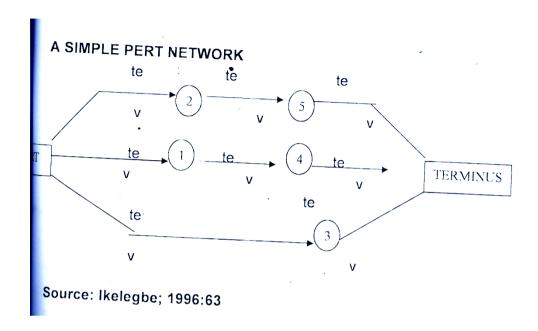


Figure 3.2

PERT is, however, different from CPM in some ways. First, PERT is concerned with events, unlike CAM which is more concerned with activities or jobs. Secondly, PERT enables the calculation of variances in the expected completion times. This is the most probable time for completing events- given uncertainty is determined. This is unlike CAM, which is only concerned with determining expected completion time. Thirdly, PERT is the more rigorous and sophisticated of the two techniques. In fact, PERT was designed as an approach to managing large-scale projects. It requires the aid of sophisticated computer programmes to manage and monitor requirement, calculations and charts.

The PERT technique, particularly, has advantage in handling large-scale programmes with high uncertainties. While CAM is more applicable to a well-defined programme, with single management, PERT can handle complex programmes with multiple and overlapping management, logistic problems and imprecise objectives. Like the CPM technique, PERT is useful in the planning, operations and management of programmes. As a matter of fact the advantages of CPM to planning, control and management, as well and applications and uses of CPM also apply to PERT. PERT has advantage over CAM because of its rigour and sophistication in handling large scale complex programmes and uncertainties.

#### SELF-ASSESSMENT EXERCISE

Describe PERT.

#### 3.3 The Delphi Method

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

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

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

They are also requested to provide explanation as to their present opinion. In the third round, the participants are again presented with the predictions, events, dates and explanation in the second round, without disclosure of the source. Members are again given opportunity to reconsider their earlier forecast in light of general predictions and explanations of group members. Members who deviate, considerably, from the opinion and forecast of others are asked to explain their position. The fourth round begins with the circulated dates, arguments and explanations from the third round. Participants are then asked to make forecasts. These are then collated and analysed.

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

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

#### 4.0 CONCLUSION

The unit considered the critical path method, programme evaluation and review technique, and the Delphi method. This concludes the discussion on policy analysis. The final unit will treat industrial policy in Nigeria.

#### 5.0 SUMMARY

The unit considered the critical path method, programme evaluation and review technique, and the Delphi method. These tools are the last techniques in policy analysis to be discussed in this course.

#### 6.0 TUTOR-MARKED ASSIGNMENT

Critically analyse the Delphi method.

#### 7.0 REFERENCES/FURTHER READING

Barry, B. (1979). *Public Management and Policy Analysis*. New York: St. Martin's Press.

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# UNIT 4 A CASE STUDY OF NIGERIA'S INDUSTRIAL POLICY

#### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Industrialisation in Nigeria: The Background
  - 3.2 Policy Objectives and Strategies
  - 3.3 Incentives to Industry
  - 3.4 Institutional Framework
  - 3.5 Relevant Laws and Regulations
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 Reference/Further Reading

## 1.0 INTRODUCTION

The year 1986 was a significant year for the manufacturing industry in Nigeria. In July 1986, Nigeria embarked on a Structural Adjustment Programme (SAP) with major features that include substantial deregulation of import and export practices and easier access to foreign exchange market, where the exchange rate for the naira is determined by the interplay of market forces. Under SAP, the private sector was expected to play a vital role in the manufacturing sector.

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

#### 2.0 OBJECTIVES

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

- state the objectives of Nigeria's industrial policy
- explain the institutional framework of the policy.

## 3.0 MAIN CONTENT

## 3.1 Industrialisation in Nigeria: The Background

Throughout most of the post-independence era, Nigeria pursued an industrialisation strategy based on import substitution. As the economy benefited from increased foreign exchange earnings from petroleum exports in the early to mid 1970's, ambitious and often costly industrial projects were embarked upon by government. Private sector investment in manufacturing grew too, taking advantage of an array of government incentives such as the 'pioneer status and approved user's scheme'. By the late 1970's, a clear picture of the structure of the manufacturing sector had emerged. The sector was characterised by:

- a. high geographical concentration
- b. high production costs
- c. low value-added
- d. serious under-utilisation of capacity
- e. high import content of industrial output and
- f. low level of foreign investment in manufacturing.

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

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

Against the background of these problems, and after several exhaustive studies, it became clear that a restructuring of the manufacturing sector was required. To cope with the problems of this sector and the economy in general, Nigeria embarked on a Structural Adjustment Programme (SAP) in July, 1986. The major features of SAP include increased import liberalisation and easier access to Foreign Exchange Market (FEM), where foreign exchange rates for Naira are determined by interplay of market forces.

SAP has important implications for government and, industry alike. Among other things, it has brought about government's reappraisal for the regulatory environment, the structure of protection for local industries and the package of incentives available. For the private sector, and industrialists generally, it will demand a more serious effort to control costs, increase production efficiency and stay competitive. SAP, thus, marks a watershed in the evolution of the manufacturing sector in this country.

## 3.2 Policy Objectives and Strategies

## **Police Objective**

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

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

## a. Employment generation

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

## b. Increased export of manufactured goods

To diversify the base of the nation's foreign exchange earnings and strengthen the manufacturing sector through exposure to international competition, government will actively encourage a more export-oriented approach by the manufacturing sector. As a substantial part of our foreign exchange earnings is used up by the industrial sector, is expected that industry should try to contribute more to foreign exchange earnings. This represents an important policy shift.

# c. Promotion of nationwide industrial development through industrial dispersal

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

## d. Improving technological skills

To create and maintain a modern industrial society, the average level of technological competence of the Nigerian population needs to be significantly raised. The quality and availability of technical education and industrial training, the content and level of industrial research being undertaken in the nation's industries and research institutes will all contribute to the achievement of this vital objective.

#### e. Increase local content

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

# f. Attracting foreign capital

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

## g. Increased private sector participation

The realisation of government's objective of accelerated industrial development hinges, critically, on increased private sector participation in the manufacturing sector. Dwindling government financial resources, ever-increasing socio-economic responsibilities to a rapidly increasing population and past experience with many public sector industrial projects have all combined to make increased private participation an important policy objective.

#### **Strategies and Policy Measures**

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

a. encouraging increased private sector participation in the industrial sector, and privatising and commercialising holdings in certain existing industrial enterprises

- b. playing a catalytic role in establishing new core industries
- c. improving infrastructural facilities
- d. improving the regulatory environment
- e. improving the investment climate prevailing in the country
- f. establishing a clear set of industrial priorities, and
- g. harmonising industrial policies at federal, state and local government levels.

# **Employment generation**

The major policy tool through which government plans to enhance employment generation is the promotion of small scale industries. In the light of SAP economic realities, "small scale" industries are defined as those with total investment of between one hundred thousand naira (\$\frac{\text{N}}{4}\$ 100, 000) and two million naira (\$\frac{\text{N}}{2}\$, 000,000), exclusive of land, but including working capital. "Micro/cottage industries" are defined as those with total investment cost that does not exceed one hundred thousand Naira (\$\frac{\text{N}}{1}\$100, 000), including working capital, but exclusive of land.

Government, therefore, accords high priority to the Small and Medium Scale Enterprise (SME) projects which the main objectives are to develop in Nigeria, a broader base of entrepreneurial culture, a core of trained manpower and an effective institutional structure, capable small and medium scale enterprises. With different organisations working at different levels, government considers it necessary to set up a cocoordinating umbrella organisation called "Small Scale Industries Corporation" charged with the following responsibilities, among others:

- a. promotion of small-scale industries
- b. development of policies and programmes for small scale industries
- c. provision of extension services
- d. meeting the training needs of small scale industries
- e. provision of technical and management assistance, and
- f. provision of facilities for credit delivery.

A key government strategy for the development of this class of industries is helping more actively to meet financing needs of small-scale industries. Hitherto, the Nigerian Bank for Commerce and Industry had been the major medium for providing funds for small scale industries. The federal government shall evolve small-scale based mechanism of credit delivery, allowing small-scale industrialists greater access to

credit facilities. To this end government plans to involve the following mix of financial institutions.

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

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

- (a) The establishment of industrial estates with appropriate infrastructural facilities; henceforth the federal government will assist states with matching grants in the establishment of industrial estates for the promotion of small scale industrial estates. The administration of such estates, however; will be left to the states.
- (b) In addition, the ongoing Entrepreneurial Development Programme (EDP), the Working for Yourself Programme (WFYP) and the Train-the-Trainers Scheme will be further intensified and improved upon, as these are avenues for developing the corps of entrepreneurs needed in the economy.
- (c) The Small Scale Industries Corporation will accord -high priority to industries engaged in the manufacture of basic needs including food processing and agro-industries, household equipment manufacturing industries, building material industries, industries for manufacturing low cost transport equipment, pharmaceutical industries, etc.

## **Increased export of manufactured goods**

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

The major planks for this strategy are:

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

The Nigerian Export Promotion Council is the premier organisation responsible for the administration of various incentive schemes and

measures aimed at encouraging exports. It is also responsible for administering the Export Development Fund.

## **Dispersal of industries**

In pursuit of this objective Local Government Areas (LGAs) of the country have been grouped into three zones, as follows.

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

#### The criteria for such classification include:

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

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

## Improving technological capacity

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

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

- a. technical advice and assistance regarding the selection f the proper manufacturing process for the product in view, selection of the right machinery, equipment and raw materials for the purpose.
- b. assistance in the installation and operation of machinery.
- c. on-the-job training of artisans in the handling of machines and simple tools.

- d. assistance in the repairs of machinery and tools and tooling facilities of IDC's workshops.
- e. advice and assistance to resolve operational problems encountered by SMEs.
- f. advice and assistance to small scale industrialists to improve the design and quality of their products;
- g. training of, proprietor and supervisory staff of SME's in modern management methods and practices suited to their enterprises;
- h. marketing counselling regarding pricing, packaging, sales strategy, advertising and. marketing methods for the promotion of sales of their products, and
- i. feasibility reports for intending small scale industrialists.

## **Increased local content**

Increasing the local content of Nigerian industrial output is a central objective of government industrial policy. Finding suitable local raw materials and promoting their use by industry is one element of the strategy by which government plans to realise the objective. The Raw Materials Research and Development Council will allocate resources to research and development of identified raw material.

Government will encourage new industries with greater linkages to the rest of the economy. Existing industries will be encouraged to pursue further integration. Assistance in the commercialisation of research results represents another strategy which government plans to adopt in order to raise the local content of manufacturing output.

## **Attracting foreign capital**

Accelerating the pace of industrial development will require enormous capital investments. While government welcomes domestic private capital investments, it also recognises that such investment may not be available in the required volume. Government therefore welcomes foreign capital the manufacinto turing sector. Indeed, the Structural Adjustment Programme was embarked upon with the prospect of increased inflow of foreign capital. The main component of government strategy for attracting foreign capital is the liberalisation of access to foreign exchange for individuals and companies provided through the Foreign Exchange Market (FEM). Easier capital and dividend repatriation through less cumbersome procedures is a by-product of recent changes in the regulations. Another clement of government strategy consists of amendments to the

Nigerian Enterprises Promotion Decree 1977 (NERD)- these amendments are designed to open up more areas for foreign investment. Thus, in the amended decree, only one list of scheduled enterprises, instead of three, have been retained; and the list contains businesses exclusively resolved for Nigerians, who are now free to own up to 100% equity, separately or in partnership, in, any unscheduled enterprises. Foreigners are welcome to invest in the scheduled enterprises with a minimum capitalisation of twenty million naira (N20, 000,000.00). Government will continue to cultivate and improve bilateral trade links with other countries as a means of encouraging foreign capital investment in the economy.

## **Increased private sector participation**

The first main strategy by which government seeks to achieve increased private sector participation in manufacturing privatisation/commercialisation of public sector investments. In this connection, government has completely divested itself of holdings in 67 companies. In addition, while some companies will be fully commercialised, others- especially those considered strategic for the will be partially privatised/commercialised. These moment. arrangements are embodied in Decree No. 25 of 1988.

## Role of the private sector

The various enterprises being privatised were set up when revenue accruing to government were considerable. In a few cases, however, the private sector, at that time, was slow in reacting to the investment opportunities that existed, either due to the heavy capital outlay involved or lack of technology and skill to close the gap and provide the goods and services to the public, government took the initiative to invest in those activities. Indeed, during the Third National Development Plan period certain economic activities were either, exclusively, reserved for government or for majority government interest.

The situation that gave rise to the predominance of government in some economic activities has, however now changed. What is more, the organised and even the informal sector have grown considerably over the years. There is need to release government resources for the provision and development of infrastructure etc. Government therefore welcomes and actively encourages a more significant role for the private sector in the restructuring of the economy and in improving the long term growth and development prospects.

Government has, in addition, opened up hitherto restricted areas in manufacturing to the private sector in defense industries; however, government shall establish regulatory mechanism guiding investment. Furthermore, government will maintain continuous contact and consultations with the private sector on issues of concern to industry. In view of the foregoing, government expects the private sector to seize the opportunity and play their rightful role in the economy.

## **Debt conversion programme**

In addition to the privatisation / commercialisation exercise and in a determined effort to reduce the debt burden of the country and thereby improve the investment climate, especially in the critical areas of the economy, government has established a Debt Conversion programme (DCP). The objectives of the programme are to:

- (a) improve Nigeria's external debt position by reducing the stock of outstanding foreign currency denominated debt in order to alleviate the debt service burden
- (b) improve economic environment attractive to foreign investors
- (c) serve as an additional incentive for the repatriation of flight capital
- (d) stimulate employment generating investments in industries with significant dependence on local inputs
- (e) encourage the creation and development of expert base of the Nigerian economy
- (f) increase access to appropriate technology, external market and other benefits associated with foreign investment.

For the effective implementation debt conversion programme, government has set up a Debt Conversion Committee, with its secretariat located at Tinubu Square, Lagos. The Central Bank of Nigeria prospective participants in the programme, whether corporate or non-corporate, national or foreign, are to obtain the prior approval of the committee in order to qualify for participation. Guidelines covering rules and regulations as well as application forms are obtainable from the secretariat of the Debt Conversion Committee.

#### SELF-ASSESSMENT EXERCISE

What led to the formulation of industrial policy in Nigeria?

# 3.3 Incentives to Industry

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

- 1. fiscal measures on taxation and interest rates
- 2. effective protection with import tariff
- 3. export promotion of Nigerian Products
- 4. foreign currency facility for international trade
- 5. development banking.

## 1. Taxation

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

#### i) Pioneer status

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

Furthermore, the relief covers a non-renewable period of five years for pioneer industries and seven years for such industries located in, economically, disadvantaged areas. Additional tax concessions are available to industrialists who take initiative in the following areas:

- a) development local raw materials
- b) addition of local value
- c) labour intensive processes
- d) expert-oriented activities
- e) in-plant training
- f) investment in economically disadvantaged areas.

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

## ii) Tax relief for research and development

Industrial establishments are expected to engage in Research and Development (R & D) for the improvement of their processes and products. Up to 120% of expenses on R&D are tax deductible, provided that such R&D activities are carried out in Nigeria and are connected with the business from which income or profit is derived. For the purpose of R&D on local raw materials, 140% of expenses are allowed.

Where the research is long term, it will be regarded as a capital expenditure-written off against profits. In administering this tax relief, the Federal Ministry of Finance shall consult the Federal Ministry of Science and Technology to determine the genuiness of such R&D activities. The results of such research can be patented and protected, in accordance with internationally accepted industrial property rights.

## (iii) Companies income taxation act

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

- corporate tax rate is 40% from 1987
- penalty for failure to apply on due date is 10% per annum of the outstanding amount;
- section 49(3) of the Companies Income Tax Act requires companies to submit detailed tax computations along with their returns and audited accounts; and industrial inspectorate department acceptance certificate.

When a tax payer wants to appeal against a court decision, a disputed tax shall be paid. The bodies of appeal commissioners, as well as the courts have been empowered to impose a penalty of 10%- where an appeal proves to be frivolous or groundless. Power to obtain information by a tax authority on banks' customers which has been provided in the Income Tax Management Act is also applicable to Companies Income Tax Act 1979.

The amount of capital allowances to be enjoyed in any year of assessment is restricted, in Nigeria, to 75% of the assessable profits in case of manufacturing companies; and  $66^2/_3\%$  in case of others, except that companies in agro-allied industry are not affected by this restriction. If the leased assets are used in agro-allied company, the full 100% capital allowance claimed will be granted. Moreover, where the leased assets are agricultural plants and equipments, there will be an additional investment allowance of 10% on such expenditure.

## (iv) Tax free dividends

An individual or a company deriving dividends from any company as from 1987 shall enjoy tax free dividends for a period of three years, provided:

- a. the company paying the dividends is incorporated in Nigeria
- b. the equity participation is imported into the country between 1st January 1987 and 31st December, 1982; and

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

In addition to (a), (b) and (c) above, if the company paying (d) the dividends is engaged in agricultural production within Nigeria or processing of such Nigerian agricultural products produced within Nigeria or the production of petro-chemicals or liquefied natural gas, the tax free period shall be 5years; (e) tax relief for investments in economically disadvantaged local government areas.

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

- (a) seven years income tax concessions under the pioneer status scheme
- (b) special concessions by relevant state governments- additional 5% over and above the initial capital depreciation allowance under the Company Income Tax Act (accelerated capital depreciation).

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

- Zone 1 Industrially and economically developed local government areas,
- Zone 2 Less industrially and economically developed local government areas and
- Zone 3 Least industrially and economically developed local government areas.

Less industrially and economically developed local government areas are defined in terms of inadequacies of:

- industrial production in gross and per capital basis
- available social and economic infrastructures
- level of labour market development
- double taxation (Income Tax Act 1979).

By Decree No. 4 1985 (miscellaneous taxation provisions) the income tax act of 1979 was amended. The effect of the amendment was to eliminate double taxation on investment income.

## Group of companies' taxation

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

# 2. Effective protection

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

## (i) Customs and excise regime

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

## (ii) Dumped and subsidised goods

The Customs Duties (dumped and subsidised goods) Act 1958 permitswhen necessary, the imposition of a special duty on any goods, which are dumped in Nigeria or subsidised by any government or authority outside Nigeria. The provision of this act will be invoked, if the government is satisfied that:

- (a) material injury will be threatened or caused to potential or established industries in Nigeria by the entry of subsidised or dumped goods into the country; and
- (b) the imposition of a special duty will not conflict with Nigeria's obligations under any international agreement such as the General Agreement on Trade and Tariffs (GATT).

# 3. Export promotion

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

## (i) Import duty drawback

Under the Customs (duty drawback), Regulations 1959, importers can claim repayment of import duty paid for materials used in producing export goods. Repayment will be made in full, if materials are imported

for use in the production of goods which are exported. In the partly duty-paid ingredients, the customs and excise department may grant bona fide applicants a "fixed rate" drawback on proof of exportation of such goods or their disposal in an approved manner. The objective of the duty drawback is to encourage the production of various export goods as a way of diversifying the economy away from oil. To encourage non-oil export development and to enable exporters compete, effectively, on international markets, a duty drawback scheme involving and duty suspension for qualifying exporters- backed by bankers' guarantees, have been put in place.

## (ii) Export license waiver

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

# (iii) Export credit guarantees and insurance scheme

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

(iv) The export development fund shall be used to provide financial assistance to private exporting companies to cover part of their initial expenses in respect of export promotion activities.

## (v) Export expansion fund

The export expansion fund shall be used to provide cash inducement for exporters who have exhibited a minimum of \$\frac{1}{8}\$150, 000 worth or semimanufactured or manufactured products.

- (vi) Export adjustment scheme fund has been established to serve as a supplementary export subsidy. Proceeds will be used to compensate exporters for:
- high costs of production arising from deficiencies
- purchasing commodities at prices higher than prevailing world market prices as fixed by government, and other beyond the control of the exporter.

## (vii) Rediscounting of short term bills for export

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

## (viii) Capital allowance

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

## (ix) Tax relief on interest income

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

# 4. Foreign currency facility

A new trade and exchange rate regime has been adopted by government to ensure efficient and competitive local production. Adjustment in the exchange rate regime will provide greater access to external markets (than before) for industries relying extensively on local resource endowments. The facility also provides for easier movement of investible funds, goods and services in and out of Nigeria.

## Foreign exchange market

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

## (1) Repatriation of imported capital

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

## (2) Payment of technology fees

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

- Royalty- royalty in respect of know-how, patents and other industrial property rights shall now range from 15% of net sales.
- Technical/management services- fees in respect of technical assistance/management services shall also range from 1-5% of net sales.

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

- (a) the local value added is not lower than 70 % or the products are intended for export market and the fees for these services can be serviced from the export proceeds, or
- (b) the benefits derived by the enterprises are considered desirable in the national interest.

# (3) Foreign currency domiciliary account

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

# 5. Development banking

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

#### Guidelines to investors and the institutional framework

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

#### **Guidelines to investors**

The main requirements for the establishment of business are:

- a. business permit including permit to employ expatriates
- b. approved status of ensure that imported capital can be repatriated
- c. investment guarantee approvals
- d. approvals covering pre-investment technical fees agreement.

For investment in specific industries such as fishing, pharmaceuticals etc., additional requirement s are available in the guide to investors published by the investment, information and promotion centre of the Federal Ministry of Industries.

A new institutional framework has been established by government to administer the business/industry related approvals listed in paragraph 4.1 (a)-(d). The one stop approval agency known as the Industrial Development Coordinating Committee (IDCC) is located in the Federal Ministry of Industries and consists of seven ministers who are charged with the responsibility to ensure that all required approvals are given within sixty days. This new arrangement has removed the need to get required approvals from various government agencies as was previously the case.

## Expatriate quota

The *IDCC* will ensure that expatriate quotas are issued. Businesses with a capitalisation of five million Naira ( $\maltese$ 5, 000,000.00) and above are entitled to a maximum automatic quota of two positions, while those with a capitalisation of ten million Naira ( $\maltese$ 10,000,000.00) and above are entitled to four automatic quota positions. All other requests for expatriate quota will be considered on merit.

## **Product standards**

New companies, prior to importation of machinery, are required to lodge copies of the product standards, with the Standards Organisation of Nigeria (SON) for clearance.

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

- a. that the capital required for such investments had actually been imported into the country through the approved status in principle issued by the *IDCC*.
- b. evidence of compliance with the provision of the Nigerian Enterprises Promotion Decree.
- c. submission of a copy of the business permit issued by the *IDCC* and
- d. submission of a copy of the audited account of the company if already in existence.

#### **Technical fees agreement**

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

## Management of industrial waste

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

New industries should have efficient treatment facilities incorporated into their systems right from inception. Industries should set up environmental quality controls. All major industrial projects should include an Environmental Impact Assessment (ETA) statement. This would be one of the conditions for permits for establishing such industries. Effluent discharges of industries will be monitored on a regular basis to ensure compliance with the waste disposal regulations. Emphasis will be placed on recycling of waste from industries, since the waste from one industry could be feedstock for another industry.

## SELF-ASSESSMENT EXERCISE

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

#### 3.4 Institutional Framework

The initial authorisation of the Industrial Development Coordinating Committee (IDCC) for the establishment of new industries were, in the past, requested from several government ministries and agencies. The attendant chaos and delays inevitably slowed down the pace of establishment of new industries. Government has, therefore, established a new central agency known as the Industrial Development Coordinating Committee (IDCC) to oversee required approvals. The committee comprises ministries of finance, internal affairs, trade, science and technology, agriculture; industries, labour and productivity. The main objectives for setting up the committee are to:

- obviate the delays in granting approvals for the establishment of new industries
- create one approval centre, instead of the present situation where there is a multiplicity of approving centers, with unnecessary costs to prospective investors in terms of tine and financial resources
- obviate the lack of co-ordination among approving ministries
- remove the present conflicting and duplicated demands by ministries before approvals are granted

- advise on policy review proposals on tariffs, excise duties, various incentive schemes and commodity pricing, as they relate to industrial development
- ensure adequate co-ordination and objectivity in the nation's industrial development efforts.

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

- granting approvals for the commencement of new businesses and relevant expatriate quota for such businesses (expatriate quota approvals by *IDCC* will be limited, to new businesses only)
- granting approved status in principle for imported capital in new ventures
- approving technology transfer agreements as they relate to:
  - i. assistance in procuring machinery, plants, equipments and components;
  - ii. engineering design services;
  - iii. plant installation and
  - iv. plant commissioning;
- advising on the administration of government industrial incentives
- making recommendations on pertinent policies including tariff and various measures aimed at ensuring the, industrial development of the country
- other relevant functions assigned to the committee from time to time to facilitate meaningful industrial development.

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

## The Policy Analysis Department (PAD)

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

## **Industrial Inspectorate Department (IID)**

The Industrial Inspectorate Department of the Federal Ministry of Industries plays a pivotal role in certifying the actual values of capital investments in buildings, machinery and equipment of various industries. The department also certifies the date of commencement of production for companies that enjoy pioneer status, and the value of imported industrial machinery and equipment for the confirmation of

approved status for non-resident capital investment. IID also provides in house technical services for the ministry, including negotiations, equipment selection and implementation of public sector projects.

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

## Data bank

An industrial data bank has been established in the Federal Ministry of Industries to gather, store and retrieve data. The bank will provide information on existing industries in the various sub-sectors, their production capacities and expansion plans, production costs, the state of the market, price movement, raw materials available in various parts of the country, etc.

# **Raw Materials Research and Development Council (RMRDC)**

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

#### **Investment Information and Promotion Centre**

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

# **Industrial Training Fund**

The Industrial Training Fund, established by Decree No. 47 of 1971, is the body responsible for promoting and encouraging the acquisition of skills in industry and commerce. In the areas of industrial training and development, the Industrial Training Fund will continue to generate indigenous trained manpower sufficient to meet the needs of the economy. In this wise, the fund will provide facilities for training of persons employed in industry and commerce; approve courses and appraise facilities provided for training by other bodies, particularly in

industry or commerce; consider, regularly, operational areas of industry or commerce that require specific man power training and development inputs and recommend kinds of training needed the standards to be attained, and ensure that such standards are met. It should also assist in finding facilities for training for employment industry and commerce and will conduct or assist others to conduct research into any matter relating to training in industry

## **Standards Organisation of Nigeria**

The Standards Organisation of Nigeria is the statutory body responsible for standardisation and quality control in the nation's economy. In this connection, it will provide standards for products and processes; ensure compliance with government policy on standardisation and quality of productboth locally manufactured and imported; investigations, as necessary, into the quality of products in Nigeria and establish a quality assurance system including certification of factories products and laboratories. Also, the Standards Organisation of Nigeria is expected to maintain reference standards for calibration and verification of measures and measuring instruments and co-operate with corresponding national and international organisations with a view to securing uniformity in standards specifications.

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

## **Equity structure in Nigerian enterprises**

In the years preceding Nigeria's independence- and indeed up to the early 1970s, the predominance of foreigners in industrial activities in the country was very evident. There was a felt need to encourage Nigerians to get more involved in the economic activities of the country in order to maximise local retention of profit, increase the net industrial contribution to the national economy and avoid unnecessary sociopolitical problems of absentee control of the nation's industrial sector.

There was also an equal recognition of the need to ensure that greater Nigerian participation in industry should proceed, simultaneously, with attracting foreign investments on mutually beneficial terms. Consequently, the Nigerian Enterprises Promotion Decree (NEPD) was promulgated in 1972 (amended, 1977) to involve Nigerian in the ownership,' control- and management of certain enterprises. In the intervening years since the decree was promulgated, it was observed that total investment as a share of GDP had fallen due to several factors

ranging from inadequate foreign capital flow to low levels of internal savings.

This situation has led government to review the investment environment, particularly, in the light of the fact that Nigerian entrepreneurs have come of age and are able to hold their ground in various types of enterprises. The review was also necessitated by the fact that demands of SAP impose the spirit of competition and efficiency in production and quality of goods and prices acceptable to consumers. There is no doubt that the long term prospects for growth in output and job creation entails a rise in the overall level of investment, especially, for purposes of exploiting out vast natural resources.

Therefore, in order to encourage foreign capital inflow, government has amended the Nigeria Enterprises Promotion Decree, 1977. With the amendment, there now exists only one list of scheduled enterprises, exclusively, reserved for Nigerians for the purpose of 100% equity ownership. All other businesses not contained in the list of schedules businesses are now open for 100% Nigerian or foreign participation, except in the areas of banking, insurance, petroleum prospecting and mining where the existing arrangement still subsists. Both Nigerians and foreigners are free to negotiate levels of equity participation in the unscheduled enterprises. Foreigners are also free to participate even in the scheduled businesses provided:

- such participation involves equity capital not below twenty million Naira (\$\frac{1}{20},000,000.00\$) and
- prior approval is obtained from the Industrial Development Coordination Committee (IDCC).

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

## 3.5 Relevant Laws and Regulations

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

Customs and Excise Management Act 1938. No. 55 of 1958. Customs (Drawback) Regulations Legal Notice, No. 70 1959. Customs Duties (Dumped and Susidised Goods) Act No.9 of 1958.

Income Tax Manageent Act 1961, No. 81.

Factories Act Cap. 66.

National Provident Fund Act 1961, No. 20.

Workmen's Compensation Act, Cap 222.

Merchandise Marks Act Cap. 117

Registration of Business Names Act 1961, No. 17

Trade Marks Act 1965, No. 29

Immigration Act 1963, No. 6

Exchange Control Act 1962, No 16.

Companies Act No.51 of 1968.

Patents and Designs Act 1970, No. 60.

Industrial Inspectorate Act 1970, No. 53.

Industrial Development (Income Tax) Act 1971, No. 22.

Nigerian Standards Organisation Act 1971, No. 56.

Industrial Training Fund Act 1971, No. 47.

Wages Boards and Industrial Councils Act 1973, No.1.

National Bank for Commerce and Industry Act 1973, No. 22.

Trade Union Act 1973, No 31.

Excise Tariff (Consolidation) Act 1973, No.7.

Customs Tariff (Consolidation) Act 1973, No.6.

Labour Act 1974, No. 21.

Trade Disputes Act 1976, No.7.

Trade Disputes Essential Services Act 1976, No.26

Nigerian Export Promotion Council Act 1976, No 26.

Nigerian Enterprises Promotion Act 1977, No.3

Productivity, Prices and Incomes Board Act 1977, No. 30.

Pre-Shipment Inspection of Imports Act 1978. No.36.

Companies Income Tax Act 1979, No. 28.

Industrial Promotion Act 1979, No. 40.

Import Prohibition Order Ln. 10 Or 1979.

National Office of Industrial Property Act 1979, No. 70.

Securities and Exchange Commission Act 1979, No. 71

The Electricity (Private Licenses) Regulations 1965, L.N. 76.

Bankruptcy Act 1979, No. 16.

Nigerian Export Promotion Council Decree (No. 26) 1976.

Second-Tier Foreign Exchange Market Decree No.23, 1986

Customs, Excise etc., (Consolidated) Decree, 1988

Factories Decree No 16,1987

Workmen's Compensation Decree No. 17, 1987.

Industrial Development Coordinating Committee Decree 1988.

Nigerian Export Credit Guarantee and Insurance Corporation Decree (No 15)1988.

Privatisation and Commercialisation Decree. (No. 25)1988.

(Source: Habibu, 1999: 264 -303)

## 4.0 CONCLUSION

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

## 5.0 SUMMARY

The last unit of this course has a case study. If all policies are implemented accordingly, the issue of policy failures could have been minimised.

## 6.0 TUTOR-MARKED ASSIGNMENT

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

## 7.0 REFERENCE/FURTHER READING

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